

**FINANCE & FINANCIAL SERVICES COMMITTEE MEETING
of the
Suffolk County Legislature**

Minutes

A regular meeting of the Finance & Financial Services Committee was held in the Rose Y. Caracappa Auditorium at the William Rogers Legislative Building, Veterans Memorial Highway, Smithtown, New York on **December 12, 2001** at 9:30 a.m.

MEMBERS PRESENT:

Legislator Michael Caracciolo, Chairman
Legislator Maxine Postal, Vice Chair
Legislator Martin Haley

EXCUSED ABSENCE:

Legislator Cameron Alden

MEMBERS ABSENT:

Legislator Bill Lindsay

ALSO IN ATTENDANCE:

Paul Sabatino, Legislative Counsel
John Cochrane, Suffolk County Treasurer
Joseph Sawicki, Chief Deputy Treasurer
Ken Knappe, County Executive's Budget Office
Fred Pollert, Director of Budget Review
Jim Spero, Assistant Director of Budget Review
Robert Lipp, Budget Review Office
Kevin Duffy, Budget Review Office
Tom Isles, Director, Suffolk County Planning Department
Bill Faulk, County Executive's Budget Office
Todd Johnson, County Executive's Office, I.R.
Lisa Keys, Aide to Legislator Michael Caracciolo
Michael Rothfeld, Newsday
B. J. McCartan, Presiding Officer Tonna's Office
All Interested Parties

Minutes taken and transcribed by Irene Kulesa, Legislative Secretary

(The meeting came to order at 9:50 a.m.)

CHAIRMAN CARACCILO:

While we await the arrival of several committee members, let me note that Legislator Cameron Alden has an excused absence. He is attending to the needs of his sister who is not feeling well. Legislator Haley is in route and as I believe, Legislator Lindsay is as well. So we will begin the committee meeting with a presentation at the request of the Chair from the County Treasurer, Mr. Cochrane. John? Good morning.

MR. COCHRANE:

Good morning, Mr. Chairman. Good morning, Maxine. Good morning, Paul. Michael you had requested that we attend the meeting for the purpose of discussing Local Law 11. Local Law 11 is the one that has as its objective, Friendly Banking or Consumer Oriented Banking or Computer Banking and it's being implemented and observed. The Consumer Affairs Department, as required in Local Law 11, does a quarterly report, which goes to each

Legislator and to the County Exec's Office, to us and is posted on the Web site, the County Web site and it lists all of the financial institutions in Suffolk County.

Now, the Treasurer's Office is only authorized by the depository resolution, which you all enact each January to do business with ten commercial banks in the Suffolk County region. Those Savings and Loans and Credit Unions and Savings Banks, we cannot by law, do business with. So based upon my recommendations and your review, we picked those ten commercial banks that do business with. Of the ten commercial banks, only five of them are of sufficient size to deal with most of Suffolk County's activities. The other banks are smaller banks, the Bank of the Hamptons, Bridgehampton National and Smithtown. We do business with them but their collateral requirements limit them to accepting deposits of somewhere between two and five million dollars. So that doesn't give us enough flexibility in dealing with them, because of their collateral requirements. But we do take this report, we monitor it and we make sure that the banks that we're doing business with, those ten banks are in conformity with the requirements of Local Law 11 and really that's the story.

CHAIRMAN CARACCILO:

Are there any questions? I think it's helpful, at least, annually to have you come before the committee. And while we have this opportunity to inquire as to whether or not you feel any amendments or any changes to the Local Law are appropriate at this time?

MR. COCHRANE:

No, Mr. Chairman. I feel that the law is very well drafted and is being implemented properly and is being utilized and is beneficial to the residents of Suffolk County.

CHAIRMAN CARACCILO:

In the aggregate, how much in the way of finances does the County maintain in these institutions?

MR. COCHRANE:

That varies very dramatically. Right now and it's like, I use the analogy of your own personal or our personal type of situation. Somebody says you get paid fifty thousand a year but you never have that fifty thousand in the bank all at one time. You put it in as you get it. Well, it's the same with the County finances. Yes, we have a two billion-dollar budget but that money comes in on a timed basis. The sales tax payments. The State and Federal Aid. The property taxes do spike when we get those in June. So at any one time, for example, right now we have on deposit with all of the ten banks a hundred and fifty eight million dollars. So with ten banks, it's not evenly divided of course but the hundred and fifty eight million, we're at a fairly low point and if you spread that around among those banks with the five small banks having three million, three million, six million, one million, five million and six million. They can't manage much more because of our collateral requirements.

The law is that anytime we deposit taxpayer, any kind of money, taxpayer money, property tax or what have you. Any time we deposit that money with a financial institution, they must put up a hundred and two percent collateral and for a small bank that means they have to go out and buy securities, which limits them again, to the interest they are going to earn on that money and because of their capital position. So right now, we only have a hundred and fifty eight million on deposit. It can get as high as several hundred million and again, it's all very carefully bid out every day. Mr. Sawicki and I read -- good morning Marty. Every day, Mr. Sawicki and I evaluate the money available and it goes out to bid and we take the highest bid. It's a matter of public record. Our bid sheets are kept out there and they are subject to inspection by yourself or a member of the public or anyone at any time, then that's the way we insure that we get the best possible dollar for the taxpayer. We bid that money out. We don't just arbitrarily deposit it. We bid it out depending upon the size of the bid amount and this week we have -- we have one today, Thursday and Friday. So again, that money is not arbitrarily deposited. Every penny is bid.

CHAIRMAN CARACCILO:

In terms of our daily return on investment, what kind of percentages are we looking at, given the continuing decline of interest rates and the fed rate?

MR. COCHRANE:

Are you holding on to your seat? A year ago, it was in the range of 5 percent or better. I just checked yesterday and on {flexicash} which is a very liquid earning deposit, one point two percent. The most recent bids on larger amounts of money and less liquid because you get less money on these liquid accounts because you're in and out of it every day like a checking account. But even on the larger bid amounts, we've had like one nine five. Less than 2 percent in a year.

CHAIRMAN CARACCILOLO:

Are there any instruments that would be permissible under existing Federal, State or Local Law that would enable us to get higher yields without incurring higher risk?

MR. COCHRANE:

I'm going to ask the Legislature on the first -- in the beginning of the year, when you reorganize to review our investment policy. There are out there, what they call the State Comptroller has now approved them, liquid funds, liquid asset funds and these are similar to the {flexicash}, {municash} arrangements we use now. They are collateralized. They're not unique but they are relatively a new instrument. The Comptroller of the State has just approved them and I'm going to ask to re-approve them. They have a return of possibly a half a percent more; fifty basis points and they are now legal investments. So I'm going to ask that our policy be changed to do that. But we're really in a squeeze.

In fact, in a side conversation with me was with one of the bank representatives last week. They wanted to make sure that we were going to bring hard money. And we're taking partial payments now, as Maxine well knows and the minimum payment is two hundred dollars. The bank was concerned that we would bring in hard money. That we would bring in quarters, half-dollars and what have you. They're thinking of putting in the bank branches these machines that you see in the supermarkets where you bring in your money and they charge you 9 percent to take the money. So the banking industry is being squeezed so hard by the economy and by the interest rate structure.

CHAIRMAN CARACCILOLO:

And the small margins.

MR. COCHRANE:

They don't want hard money. They want coin money and if you do bring it in, they are going to put machines in there to charge you money to bring your money to the bank. The County is in good shape.

CHAIRMAN CARACCILOLO:

If your proposal is successful, what will that yield based on current market rates additionally for the County?

MR. COCHRANE:

It could bring in somewhere in the neighborhood of probably an additional five or six hundred thousand dollars over the course of the year in today's interest rate environment.

CHAIRMAN CARACCILOLO:

I like to hear positive numbers. Very good. I have no further questions. Anyone on the committee would like to address the Treasurer? No, okay. Thank you very much.

MR. COCHRANE:

Mr. Chairman, thank you for the opportunity to meet with you all.

CHAIRMAN CARACCILOLO:

Thank you. Thanks and have a very Merry Christmas and a Happy Holiday.

MR. COCHRANE:

See you this afternoon, hopefully. Okay, thank you. I know you've got a big agenda.

CHAIRMAN CARACCILO:

Okay. Mr. Isles? Good morning. For the benefit of the members of this committee, you didn't perhaps have the opportunity to attend several of the recent Land Acquisition Committee Meetings? I know Legislator Haley was at one last week. As a result of recent media reports concerning the Division of Real Estate and a particular Division Director, it has caused myself and other Legislators independently to look into several of the recent past County acquisitions. And how they were handled and how we acquired them, in terms of appraised values and purchase prices at my request. And I want to take this opportunity to thank you. You have provided me with several appraisal reports concerning several acquisitions, which are now in the past tense, they have been acquired, County funds, have been expended. And upon my review, several questions come to mind with respect to several of the acquisitions. And I've discussed this with you previously so, hopefully, none of the questions will catch you unprepared. I'd like to start --

MR. ISLES:

I'll do my best sir.

CHAIRMAN CARACCILO:

Okay. I'd like for the benefit of everyone here to maybe just give us a quick overview of how the appraisal process works within the Planning Department and specifically with the Division of Real Estate.

MR. ISLES:

Okay, I'll give you a quick overview, as you requested and certainly, if you have further questions, I'll be happy to try to answer those. We are in the midst of some changes, which I explained yesterday at the Environment Committee Meeting. But essentially, the County of Suffolk, as we know has had a nationally recognized program of land acquisition for the protection of groundwater for the preservation of farmland and so forth. And it's a program to be very proud of and this Legislature has been key to the success of that program.

We have purchased under the tune of fifty million dollars worth of real estate or development rights in the past two years, each of those two years. So it's an extremely strong program, a beneficial program. In terms of the answer to your question about what is the appraisal process? The appraisal process, when I came to this position back in March is that when a parcel is approved for acquisition by the Legislature, whether it's a planning steps resolution to authorize the Division of Real Estate to begin the process of an acquisition or whether it's a full authorization resolution. Once we receive that resolution, what we will then do, are start a couple of steps. First off, we will do a land last owner search to determine exactly who is the owner of record of the parcel in question. From that, what we will do is contact that owner of record by mail and indicate to them that there is this legislative resolution and we've been asked to commence negotiations and considerations for acquisition of a parcel. If we receive a reply back from the owner whereby they indicate that they are interested in negotiating with the County for an acquisition, what we will then do is order an appraisal for the property.

The appraisals -- the appraisers are determined from a list that has been approved by the Legislature that we then use that has approximately thirty appraisers listed on that list. All the appraisers, to the best of our knowledge, are licensed by New York State and certified to do the types of appraisals that we request. What we have instituted in, at least, the past year and a half or so is that what we do do is that we get the three bids from the appraisers. So what we will do is send out letters to three of the appraisers on the list asking them to submit a bid for the job to do the appraisal, describing very briefly what the appraisal assignment is. We will then typically go with the low bidder and then proceed to order the appraisal from that time. Once we receive the appraisal back, here again, the practice when I had gotten here, was that the Director or the Assistant Director of the Real Estate Division would then make a determination on that, would evaluate the appraisal and either make a direct offer then to the property owner based on the appraisal for an acquisition. Or if the Director or the Assistant Director felt that a review of the appraisal was necessary, they would then ask the appraisal review staff to review the appraisal and to report back with

their comments on the appraisal. So that's essentially the appraisal process.

And the only other dimension I would like to add to that is the involvement of other municipalities. The Greenways Program for example, as you know, does contain a section whereby municipalities can prepare or cause to be prepared appraisals based upon the County list of recognized appraisers and we may use that. The Real Estate Division may use that in the negotiations for an acquisition. The Greenways Program legislation does speak of the requirement that the final determination of an offer of acquisitions made by the County, not by the Town but to see where then that the program does -- sometimes involve appraisals that are done through municipalities by recognized appraisers from the County.

And then lastly, oftentimes when we get into negotiations with property owners, we'll come forth with an appraisal. They'll say well, that's off base, you're not considering X, Y and Z and so forth. And sometimes the property owners will have appraisals done on their behalf. Here again, taken from the County list of approved appraisers. So they'll often submit that to us showing what they think is the appraised value of the property. And here again, we then evaluate that to determine if we feel it's valid or not.

CHAIRMAN CARACCIOLO:

Have you had an opportunity to also take a look at the files that I requested specifically, Shadmoor, Oak Beach Inn, Campo File?

MR. ISLES:

Yes.

CHAIRMAN CARACCIOLO:

Because I want to direct some questions to you concerning those acquisitions. Before we get specific though, I'd like to recognize Legislator Postal.

LEGISLATOR POSTAL:

A kind of a specific question on what was said rather than before we can enter the other issues. Tom, you said that once the resolution is approved by the Legislature, then a letter goes out to the most recent owner of record?

MR. ISLES:

Right.

LEGISLATOR POSTAL:

Indicating that and then the appraisal process begins with an appraisal being ordered and a request for bids on appraisals going out. I hate to be specific but there are two properties that I'm involved with, intimately aware of an attempt to acquire. One was the Gus Wade property in Wheatley Heights and the other one is the Unqua Place property in Amityville under the Greenways Active Parkland Program. And in each of those cases, I'm informed that the owners were never contacted by the County. For example, I was told by Gus Wade that one day he just suddenly saw people, I guess, they were surveyors on his property and he was surprised. So that was one incident. And I would have kind of discounted that except that in inquiring about the progress of the Unqua Place parcel, I've been told that an appraisal has been ordered on that and as a matter of fact, I think I was told that a few weeks back. And also told that the owner has never been contacted by the County. So I think maybe that's not always happening. Maybe it should be happening but it's not. And I would ask particularly the Gus Wade parcel, I mean that's kind of old. I think that was probably from last spring or something. You know, maybe two years, I don't know. But particularly with the Unqua Place parcel, I would really appreciate it if you could, since I'm told a letter has never gone out, make sure that a letter goes out to the owner of record on that property as the procedure should be done.

MR. ISLES:

Yes, it is the standard procedure and I believe Mr. Burke testified to that yesterday at the Environment Committee Meeting. And if I could, just one other thing I would like to add is that --

LEGISLATOR POSTAL:

Could you cc me on the letter?

MR. ISLES:

Sure.

LEGISLATOR POSTAL:

That goes out on Unqua Place? Thank you.

MR. ISLES:

The only other thing I'd like to add if I could is, as I recall the procedures, in terms of the appraisal process, Monday; you should be made aware of that. I made this known at the Environment Committee Meeting yesterday is that it's clear to me that we need to do something -- at the very least, tuning up the appraisal procedures. And I have put into place additional controls on the review of negotiations of acquisitions at this time. And this is for the purpose of assuring your confidence in the process, as well as the purpose of, I think, in terms of the Real Estate Department staff that this will give them a level of comfort. They want to do the right thing. I feel very confident with the people in that office and so I have done that and I explained that yesterday at the Environment Committee. One of the things we have done is re-institute an appraisal review on acquisitions on a more regular basis now versus a case by case basis. So just to make you aware of that.

CHAIRMAN CARACCILO:

That last comment answered one of my questions and that is when in the course of business is the determination made about review appraisals?

MR. ISLES:

Well, up until now it's been made once we receive the appraisal, it would then be reviewed. That determination of whether there should be an appraisal review. Whether there's any question as to the findings in the appraisal, whatever else may be the basis for that. From this point on, or actually earlier than this, essentially, any appraisal will now be subject to an appraisal review. The only thing I am taking under consideration at this time is that we sometimes buy parcels that are extremely low value. We'll buy a parcel in the middle of the Pine Barrens Core for two hundred dollars perhaps. So whether that needs an appraisal review on top of an appraisal, I'm not so sure. So there may be some sort of bottom defined. But obviously, anything of significant amounts, anything more than a few thousand dollars, I would say, would go through appraisal from here.

CHAIRMAN CARACCILO:

Legislator Haley, on the same topic?

LEGISLATOR HALEY:

Naturally, my concern is the process and the slowing down of the process. And I got a feeling at the Land Acquisition Committee when Terry Allar was up and felt things had diminished to some extent. I think, on the other side was is that things were -- the speed was picked up by which we picked up acquisitions and that was really the intent, I think of the environmentalists in this Legislature, the County Executive was to try to speed up the process. Because it appears to me they were going to reverse that whole bit and go back to more review and my concern is obviously, everything getting bogged down. We have found on almost every acquisition that we've been successful has been somewhat pressured by some sort of development pressure. Or pressured by some sort of, you know OBI might have been some sort of political pressure or municipal pressure or whatever it was. And in that regard, we needed to move things quickly.

We found that, for instance, in the active parklands component, the executive side would like to see us have a total complete plan in place before we go and acquire something. But time, typically is of the essence and we don't have the opportunity to wait until we've planned it all out and have everything in black and white. Because we have instances where owners of the property are under pressure and are saying, you know listen, I do want to sell. I'm willing to

sell to you. I'm willing to sell to you for market value but it has to be today. It can't be a year and a half from now. I'm not going to wait for the County Bureaucracy to try to figure out what they may want to do with this, two, three, five, ten years from now. That's a significant problem and that's what I'm concerned about.

We've managed to overcome that of late. For instance, the Wedge was the perfect example. We accepted the Town's responsibility to make sure that it gets done. And we did go through, by the way and the same with the 75-acre Miller Place parcel for active parklands for a regional park, ball fields for kids. We went through quickly, I might add, we've managed to do that. We got through SEQRA, which is appropriate. We went through the Parks Trustees. We made sure that they were well aware. I did a lot of homework with the neighborhood over there to make sure that they were happy, all right? So I think the process works. In spite of the alleged vision of a former Legislator who was here many years ago that thinks he knows the way it's supposed to run today. I think it's run very well today. And the misgivings of the acts of a particular individual, alleged misgivings, alleged backs, I don't think should be sufficient to take us away from the direction we've been heading and that is, we've been heading in the right direction.

We've been acquiring things at a quick pace. So that we find because of that misgiving but because of the again, the allegations of some Legislators that that appraisal might be off a little bit. Okay, your reaction, appropriate or not is to say, we're going to add something to that review process. I don't have a problem with that at all. As a matter of fact, having sat through the acquisition committee, I feel even more comfortable after listening to Terry and how they've approached that that particular parcel was appraised appropriately and it was valued appropriately. But I'm asking that we find a method by which you could add that review process without slowing things down.

MR. ISLES:

If I could just add one thing? That I did not say that, perhaps help that a little bit understanding that. The County Executive has put into place his request of the formation of a panel, a committee to review our acquisition procedures and policies and so forth. I believe the first meeting of that committee is tomorrow. So the steps that I've talked about here are interim steps, immediate steps that will give a little bit more control and hopefully, a little bit more confidence to the process. Understanding that this joint panel of the Executive Legislative Branch wants to get done with their review and there is a consensus --

LEGISLATOR HALEY:

Are they specifically charged to do a certain thing?

MR. ISLES:

My understanding is that the panel is charged with reviewing the procedures that the Real Estate Division, the County Policy of the acquisition planned. How we accomplished that, the steps we take on that. Then to review that and make determinations of recommendations either everything is fine and recommending changes if changes are warranted.

LEGISLATOR HALEY:

What do you mean by changes? Give me an example, positive or negative?

MR. ISLES:

The change might be, should the County of Suffolk require two independent appraisals on the purchase of properties in excess of one million dollars in value or what? Should the County of Suffolk rely on appraisals ordered by municipalities or should the County of Suffolk get its own independent appraisal of property. Those kind of questions.

LEGISLATOR HALEY:

All right, I think that's interesting because -- but I think that that's a function of the Executive Branch and although we like to stick our fingers in the mix once in a while, I think that's healthy. What I'm concerned with is that this particular group doesn't become a pressure group to start, attempt to effect the policy that's set forth by the Legislature. That is, we have a program, approved by the voters and we have other programs approved by the

Legislature, which provides for certain sums of money. And in specific acquisitions are approved by this Legislature and we expect, I expect, I'm sure the Legislature does, once this Legislature has passed those that the County Exec will do whatever -- will act consistent with that policy and make sure that we apply those properties in a timely manner. Because most of the things we put in place, such as prioritization's and everything, I think have been well thought out. And we have improved our ability to acquire and we do, from a national perspective, we probably do more than most and I think we've done a great job. Let's not get away from that.

CHAIRMAN CARACCILO:

Thank you. Okay, Mr. Isles I'd like to just stay with the point, on point of the reviewed appraisals. I think one of the recommendations I would make and I think others might share, it would be that whatever protocols are instituted, they shouldn't be verbal protocols, they should be in writing. So that everyone knows what the policy is and what the procedures are. So if you have to make exceptions or you feel it's appropriate to make exceptions, we have small parcels, as an example, you cited that seems reasonable. However, that should be defined in writing and it should be standard SOP and everyone knows that. It seems right now that the discretion really was that of the Division Director and even yourself as the ultimate individual responsible did not have a role in reviewed appraisals. Is that correct?

MR. ISLES:

Yes, right now or up until recently, anyway the judgment was made by the Division Director and obviously, by myself or the former Director when he was here.

CHAIRMAN CARACCILO:

To take a look at Shadmoor, I think is to take a look at a very interesting, if nothing else and I think there is something else to look at here. Case study of misrepresentations and all of the facts not being brought to the floor, in terms of the County putting forth over five million dollars of taxpayer's money, which in that instance, was money that was bonded. So at the end of the day, by the time those bonds are retired, it will cost, at least, according to the minutes that I reviewed of when this resolution came before to the Legislature as a C/N, somewhere in the area of nine million dollars. But I think it's an interesting case study for many reasons. But first of all, in terms of misrepresentation, we have statement after statement on the record, by a number of individuals of what we're talking about is a 100 acre piece of property, true? But then and this is where it kind of gets interesting. We have statements that it's 100 acres and four mansions are going to be built on 25 acres each. Is that your understanding?

MR. ISLES:

My understanding is that it would be four houses on a minor subdivision approved by the Town of East Hampton. I don't think the lots will be 25 acres. I think the intent was to have large lots, maybe 10 acres but then having the rest as open space.

CHAIRMAN CARACCILO:

Oh, the fact is, in your own appraisal that was ordered by the County by Rogers and Taylor indicated very clearly what the subdivision application was for. It was for four homes on a total of 19 acres and what was not shared with the Legislature was, because I read to you and I'll quote, it was Legislator Guldi. He said I believe the applicable zone in there is 5 acres but to contemplate a development project is four mansions estates of 25 acres a piece with amenities and stables and the like. That is totally incorrect. The appraisal report made it very clear that we were talking about four houses on 19 acres with the remaining 80, 81 acres or 81 percent of the total being required to be put into open space and conservation easements. Is that your understanding?

MR. ISLES:

Certainly, my understanding is that it was four houses, yes. It's 5 acre zoning and apparently this has been a long-standing subdivision application with the Town of East Hampton. And obviously, it could have supported more than four houses. But ultimately, apparently what East Hampton was prepared to improve was the four houses with the Nature

Conservancy purchasing conservation easement. I saw various references in the file. I wasn't with the County at the time of this acquisition but I saw various references in the file to clustering. I saw various ranges, in terms of the lot sizes. Clearly, what I did see is some sort of cluster that there would be the four houses built on what are described as kingdom plots, which I thought was interesting with the balance of it being open space. As far as the exact amount, in the Rogers and Taylor's appraisal, I certainly would dispute that. But --

CHAIRMAN CARACCILO:

Rogers and Taylor was, in fact, the County Appraiser?

MR. ISLES:

Yes.

CHAIRMAN CARACCILO:

Okay and do you know what they indicated was the value for reasonable appraisal for this property?

MR. ISLES:

Yes, I do. Okay, what I'm reading here is a letter from Rogers and Taylor on May 16th, 2000 and they're indicating a value for the property of twelve million, six hundred thousand dollars.

CHAIRMAN CARACCILO:

Do you have a copy of the February 22nd appraisal?

MR. ISLES:

Yes, I do.

CHAIRMAN CARACCILO:

Tell us what they appraised the property in February?

MR. ISLES:

February 22nd, 2000, a letter from Rogers and Taylor to Theresa Allar, Senior Review Appraiser of the County, an appraised value of ten million, eight hundred thousand dollars. The letter that I referred to in May came also by Rogers and Taylor. It showed a figure of twelve million, six hundred thousand dollars.

CHAIRMAN CARACCILO:

That letter, that correspondence, did they indicate why they felt the property had a higher appraised value in May, then it did earlier in the same year?

MR. ISLES:

Well, it indicates that they've done a review of the incomparable sales and they state the following. Reconsidering lot size, location and water and view water frontage adjustments leads us to conclude that the subject property may, in fact, have a per lot value as much as three million, six hundred thousand dollars. After reviewing the original data, as well as the new data, we would be comfortable and confident in this per lot value conclusion. You then come up with the gross value of fourteen million dollars and then they do a discount or a deduct based on profit motive and make a reduction down to the twelve million, six hundred thousand dollars.

CHAIRMAN CARACCILO:

Did that report also state that quote; a full revised appraisal support in this value conclusion could be obtained upon request?

MR. ISLES:

What was that statement sir?

CHAIRMAN CARACCILO:

A full revised appraisal supporting this value conclusion could be obtained upon request?

MR. ISLES:

Yes.

CHAIRMAN CARACCILO:

You didn't read that though? Okay.

MR. ISLES:

I see it here. Yes, it's the last paragraph.

CHAIRMAN CARACCILO:

Was that request made?

MR. ISLES:

From what I could review of the file, what happened after the May 16th, review is the Senior Review Appraiser reviewed that appraisal report and in her conclusion, she came up with the value estimate of sixteen million, five hundred thousand dollars.

CHAIRMAN CARACCILO:

Okay. Before we get to that juncture, let's for the benefit of everyone present outline, this was a 100 acre piece of property along the Montauk -- that was acquired for over seventeen million dollars and there was an acquisition by the Town, State and County, correct?

MR. ISLES:

Right, the Nature Conservancy was also involved.

CHAIRMAN CARACCILO:

And the Nature Conservancy. And it appears that we have different appraisals similar to Chandler that keep going higher and higher and higher. And again, in terms of the case study in the point I was making earlier, there's a pattern here. On this acquisition on Chandler and on others, where it seems we are constantly part of a process where appraisals are being renewed and extended until we can get to value that a property owner is willing to sell the property for and that's very troublesome. Mr. Taibbi was the appraiser on this particular piece of property, is that correct?

MR. ISLES:

Well, typically --

CHAIRMAN CARACCILO:

When I say the in-house appraiser, you know he was the Review Appraiser and then you had the Senior Review Appraiser, which was Mrs. Allar.

MR. ISLES:

Exactly.

CHAIRMAN CARACCILO:

Okay. And when Mr. Taibbi reviewed Rogers and Taylor's appraisal, what value did he assign to this property?

MR. ISLES:

Okay, I'm looking at a copy of an appraisal review that was prepared February 21st, of 2000, was the evaluation date and the date received was February 29th, of 2000. And the review is signed by the Review Appraiser Gary Taibbi on March 14th, 2000 and the amount he indicates is ten million, eight hundred thousand dollars.

CHAIRMAN CARACCILO:

Okay, so in March, we have a County Review Appraiser assign a value of ten point eight million dollars. That's more than six million dollars less than what was paid for this property just six months later. Could you explain how this property increased in value in six months by six million dollars?

MR. ISLES:

Yes, I can certainly do my best to do that. Here again, understanding that I wasn't here at that time is I --

CHAIRMAN CARACCILOLO:

Which I appreciate.

MR. ISLES:

As I read through this file, the first thing I'll note is that the report by Mr. Taibbi at ten million, eight hundred thousand was modified by Theresa Allar, the Senior Review Appraiser on March 17th, 2000, to an amount of eleven to twelve million dollar amount. As we see the process of appraisal review and re-review and so forth, all of this is an attempt to determine what the fair market value is of the property. As I read in Ms. Allar's review on May 22nd, for example and obviously, it's a huge jump but I've also seen references in --

CHAIRMAN CARACCILOLO:

How much -- on a percentage basis, it's a huge jump. How much of huge jump?

MR. ISLES:

Well, if we're going from ten million to seventeen million, it's a 70 percent increase. Interestingly too, in this file, I read comments in here where there was some cases of a doubling of real estate values in the Hamptons area within a very short period of time. But specifically, using the report that we relied upon on behalf of the County of Suffolk, where Ms. Allar talks about and just to kind of summarizing it. Although it is his belief, the appraiser's belief, Mr. Rogers that tomorrow sales could readily reflect a higher market value, thereby supporting the five million dollars per plot value. And that a single buyer could purchase this subject as a whole for sixteen to twenty million dollars.

I also had the opportunity to speak with other real estate appraisers including Pat Given and Tim Barnes, both of whom are on the County appraisal list approved by the Legislature. Both are very familiar with the current, with the subject property and agree with Gary Taylor that the current real estate market is showing dramatic increases. Plots that sold for less than one million dollars, one million dollars a year or two ago are now selling or in contract for over two to three million dollars. Both appraisers agree that the subject parcel is unique and is considered the last of its kind with its preserved areas, substantial ocean frontage. It's a half a mile of ocean frontage in Montauk. The bluff areas as well as having a larger state like setting. There's a certain market, somewhat limited to the Hampton area that seeks out this type of residential setting, which appeals to a limited, yet wealthy clientele that routinely purchase these types of kingdom lots for privacy.

Just anecdotally, I just heard last week of an internationally known entertainer who purchased a parcel in North Haven for thirty eight million dollars. We're dealing with a very strong real estate market, a very dynamic market. But in answer to your question regarding how do we go from ten million, eight hundred thousand dollars to seventeen million, five hundred thousand dollars in the course of a few months? I think the feeling was that some of the original numbers were perhaps on the low side were not accurately reflective of the market is one aspect. The other aspect is the market was very dynamic and here again, I'll point out too that this was not done in a vacuum. This was done with a four party acquisition of this property involving New York State Government, Town of East Hampton Government and the Nature Conservancy played a very active role and then Suffolk County, quite obviously.

CHAIRMAN CARACCILOLO:

When we speak of the Nature Conservancy, let's understand that the Nature Conservancy is a land management agent for the County and acts on behalf of the County in land acquisition transactions. And they receive fees and commissions for that correct?

MR. ISLES:

Yes, they are.

CHAIRMAN CARACCILO:

So they have a vested interest of sorts. I mean, if they're putting up a million dollars for this acquisition, they are also being compensated. Where they compensated?

MR. ISLES:

I'm not sure. I can find that out for you. I'm sure if they -- the Nature Conservancy and Peconic Land Trust have been authorized by the Legislature to be agents for the County and it's actually spoken of in the Greenways legislation. This was purchased under Preservation Partnership. So there are many cases where the County of Suffolk has utilized those entities to help us.

CHAIRMAN CARACCILO:

You don't know in this particular instance? Could you let us know?

MR. ISLES:

An accurate answer on that.

CHAIRMAN CARACCILO:

Okay, I want to stick with this appraisal going in a few short months, you know increasing by 70 percent. Because the appraisers that the County hired, Rogers indicated in their written appraisal report in May, they already revised it in May and said twelve point six million, not seventeen point three. How do we then justify taking actions that are contradictory to our own written County Appraiser? Someone that we're paying taxpayer money to provide a service. They provide that service. They say it's worth twelve point three or twelve point six and we pay seventeen point three. And the County's portion, as I mentioned earlier, is approximately five point three million dollars, bonded out nine million dollars. How do we do that?

MR. ISLES:

Well, I think what we did in this case, is we relied upon our staff, our Senior Review Appraiser. I think one thing we have to recognize here is that --

CHAIRMAN CARACCILO:

Wait and now in that point in time that was Mrs. Allar?

MR. ISLES:

Yes.

CHAIRMAN CARACCILO:

And what value did she assign this property?

MR. ISLES:

Sixteen point five million.

CHAIRMAN CARACCILO:

And what did she base that on?

MR. ISLES:

We have her report here and she based it upon, as I indicated, her discussions with other appraisers and not to read the whole thing all over again but as requested, I have analyzed the appraisal submitted by New York State and prepared Ron Matuza who is also a County qualified appraiser.

CHAIRMAN CARACCILO:

Okay, I recall you reading that. She was right in that --

MR. ISLES:

Mr. Matuza who was hired by New York State

CHAIRMAN CARACCILOLO:

Who was that written to?

MR. ISLES:

The Terry Allar memo?

CHAIRMAN CARACCILOLO:

It was written to Allan Grecco.

CHAIRMAN CARACCILOLO:

As requested. So Mr. Grecco directed her to look at this file?

MR. ISLES:

Yes.

CHAIRMAN CARACCILOLO:

And do what?

MR. ISLES:

To review an appraisal report that was submitted by New York State and prepared by an appraiser by the name of Ron Matuza who is also one of the County authorized appraisers.

CHAIRMAN CARACCILOLO:

And what did that appraisal report indicate?

MR. ISLES:

That indicated a parcel value. What I can gather from this, a finished plot value at five million dollars per plot and discounted for time to finalize subdivision approval plus interior site construction and determined a value of sixteen million, five hundred thousand dollars.

CHAIRMAN CARACCILOLO:

And the purchase price was how much?

MR. ISLES:

The purchase price was seventeen and a half million dollars and maybe some change with that.

CHAIRMAN CARACCILOLO:

Okay. So how do we get to seventeen and a half, when at best, you have two conflicting appraisal reports. One at sixteen five, one at twelve six, how do we do that? How does that happen?

MR. ISLES:

I think that's where the Nature Conservancy came in. I think we all came in with the State, the County and our numbers and feeling comfortable and honestly representing the public interest on this, is it looks like this is worth sixteen and a half million dollars. My understanding and you know perhaps would be best answered by the Nature Conservancy is that they came in at the end of the day and covered the gap is what I understand.

CHAIRMAN CARACCILOLO:

Okay and that leads to the issue that we were talking a little bit about yesterday that was raised by Assemblyman Englebright. And that is under the New York State Constitution there is a strict prohibition of the gift of taxpayer money for any purpose, including land acquisitions of where you're paying something in excess of its value. So the fact that you have a fourth party here, the Nature Conservancy contributing the million dollars to make up the total purchase price. Does that constitute for the other three entities, the three municipal entities that they are participating in a transaction that exceeds what State, County appraisals clearly identified as a piece of property worth sixteen and a half million dollars?

MR. ISLES:

No, I don't think it does. I think with the appraisal value of sixteen and a half million and the public entities paid sixteen and a half million, if a private entity, the Nature Conservancy put in more, I don't think, in my opinion that that would be in violation of the New York State Constitution.

CHAIRMAN CARACCIOLO:

Let me get a legal opinion on that. Because I don't know the answer but I just would like to hear from --

MR. ISLES:

Okay, I'm not an attorney. I'm just saying how I see it.

MR. SABATINO:

I think the key would be what the contract stated. I mean, the contract would have to state sixteen point five million dollars, in order to be in compliance with the constitution because you couldn't exceed the appraised value. If somebody else wanted to come in and contribute a million dollars, the way I would construe or apply it, is if the million dollars would reduce the State and municipal obligation to pay sixteen point five, thereby reducing the public funds to fifteen point five million. Unless the contract says seventeen point five but then if the contract says seventeen point five million then, I think that the State and the County and the Town would have had a problem so --

MR. ISLES:

Just to point out, the State was a party to this whole agreement but I understand your line of questions.

CHAIRMAN CARACCIOLO:

Do you have a copy of the contract in the file?

MR. ISLES:

I'm pretty sure I do.

CHAIRMAN CARACCIOLO:

Could you tell us what the date on that is and what the agreed upon contract price is?

MR. ISLES:

The way the County of Suffolk transacted this purchase is we purchased a portion of this property. We purchased a little less than 33 acres and we were paid for that amount of land five million, four hundred and thirty three thousand dollars. Five million, four hundred and thirty three thousand, three hundred and thirty three dollars. So we paid five point four million essentially. So what happened in this, as I recall going through the file, is that the parcel was then divided, it was a minor subdivision approved by the Town of Southampton. So that the County had a clear section that we own approximately one third of the property and the value was then for that basis. Now, as I understand it, the Town and the State, the Town of East Hampton, the State of New York then purchased the balance of the property, the 66 acres.

CHAIRMAN CARACCIOLO:

So in effect, the five point four million dollars the County acquired 33 acres, which under the original proposal for four home subdivisions, it would have been preserved at no cost to taxpayers?

MR. ISLES:

Where the actual four homes would have ended up in relation to our parcels, I don't know. Keep in mind too that the Department of --

CHAIRMAN CARACCIOLO:

There's a larger point there and that point is you have three governmental entities and a private conservancy group that shell out seventeen and a half million dollars, which clearly is in excess of the highest appraised value for this property by any of the State entities. I

mean, by any of the governmental entities by a million dollars. But to add insult to injury, the taxpayers of Suffolk County are bonding a piece of property, in this case 33 acres, for a cost of nine million dollars with interest costs, property that they essentially could have been preserved anyhow. Just simply, if the Town had allowed the developer, the two individuals to develop four homes on 20 acres or 19 acres. Is that not correct?

MR. ISLES:

That's a determination of the Legislature not of the Real Estate Department as to what --

CHAIRMAN CARACCILO:

Well, getting back to the Legislature Tom, as I stated earlier, there were clearly misrepresentations made before the Legislature. Let me make the further points on that. You weren't here, so I want to give you the benefit of -- you can't respond to that and I don't expect you to. Maybe at a later date, people who were here could respond to some of these issues. Because clearly, we have representations that were not factual. So the Legislature is passing judgment based on representations that are not factual. That to me is very troublesome. Those representations are made from County officials. Now that said, you're looking at a situation, as I pointed out earlier, that also calls into question practices within the Division of Real Estate. While I appreciate your new tenure and your efforts now with the resignation of Mr. Grecco, to change things, this really calls into question a number of issues, including those that we've begun to discuss. Why is Gary Taylor's twelve-point six million-dollar evaluation not the binding document for the County?

MR. ISLES:

I think one aspect of this; we have to consider is that appraisals are judgments and estimates of value. They are not necessarily gospel. If it's the intent of the Legislature to say well, once we get an appraisal, an appraisal number, we should not -- we should just accept that and that's it. Please tell us that and we'll live with that. But just by example, we had an appraisal come in a few weeks ago on a farmland acquisition that we're looking at, a development rights acquisition that we've been buying farmland, maybe in the range of this particular area about thirty thousand dollars an acre for development rights. Its appraisal came in at somewhere around a hundred and fifty thousand. It was off the wall. We rejected it right away because it was just incorrect in how they came about it. So we can't just say that any appraisal that rolls in the door is fully accurate. It's a professional judgment of value but it also has to be examined carefully, both for the upside and the downside. So number one that's one perspective we would provide.

In terms of the Rogers & Taylor appraisal, here again, in just reviewing and I've read through this file a couple of times now and I have to tell you, it's also not unusual that there will be an evolution in an acquisition where it may start, you know two opposite points with the property owner and through further data information, intelligence and so forth. There can be reason to up an appraisal.

Yesterday at the Environment Committee, we heard from Assemblyman Englebright who was pointing out a parcel that he was familiar with. That he felt the County appraisal was definitely low-balled, is the term he used and was too low and too inaccurate and so forth. That's a case then where if a Legislator or the Executive Branch were to say well, maybe we need to look at it again that's what we do. And we're not looking at it to try to manipulate or control or anything like that. It's just that we want to do an accurate assessment of value and as we can see, it is not easy. So that's how these things get to that point. If there's guidance in the Legislature, in this panel that's been formed by the County Executive, where the procedures that you would like us to follow, I think that will be great.

CHAIRMAN CARACCILO:

In the public's view, however, when they read news accounts that there are several appraisals, in the case of Chandler, five. In this case, how many appraisals were there?

MR. ISLES:

Well, there was certainly two. The Rogers & Taylor that we had asked for, the County and then there was the State appraisal and then there were a couple -- obviously, several appraisal reviews that also occurred.

CHAIRMAN CARACCILO:

Right. So when you look at Chandler, you look at Shadmoor, you look at Oak Beach Inn, which we are going to get to in a little bit and we look at several others. What the public sees is a pattern and in some people's minds it is manipulation. That someone is trying to justify the ends for the means and that's very disturbing. Then it's our job to make sure that is not happening and I know you appreciate that. I have every confidence, under your leadership that these sad chapters will not be repeated. We want to make and put into place every effort to make sure that this never occurs again. Now that leads me to this question. What are the standards or parameters for such internal upward adjustments on appraisals?

MR. ISLES:

Primarily, it would have to be -- as we see with Shadmoor, a dialogue between the appraisal review staff and the appraiser. And here again, whether we think the appraiser came in too high and we say these comparables you have are not appropriate to this parcel whatever or they come in too low. So the process then for that back and forth that we're now discussing is on trying to gather intelligence and information to determine value. And so that would typically be how it would occur.

CHAIRMAN CARACCILO:

Legislator Postal. I have some more questions but I want to --

LEGISLATOR HALEY:

You know having done appraisals for myself; there's two primary things that I think should be pointed out here. One is a timeline function. And especially in heated markets, I mean, I remember that appraisals sometimes would be good for a year. You know if it was done within a year, they'd be happy. Nowadays, I would suspect that if -- especially in unique situations, appraisals need to be updated that much more often. Because the comparables that are used are more recent. And from a historical prospective, comparables that are closest to the date are more relevant. The problem you have is that in appraisals, you make -- you can say anything is worth anything, all right! But you have to outline your conclusions via -- or I should say outline the assumptions that you've made. And the reason you go through the review process and they talk about this when you go through training and everything like that our Appraisal Review Unit has to look at those assumptions and see if those are valid assumptions and how they arrived at that.

If they find it normal practices, an example is a simple appraisal done by me in the past for residential, you know if an extra garage was added. If there was a garage added, maybe I would have made the adjustment of three thousand, when typically everybody is making adjustments of twenty five hundred. So if somebody reviewed my appraisal and I made that assumption, they can simply say no, I think that that should be and that's all it is. And believe it or not, the review by the Real Estate Division is exactly that. Their opinion should be modified and to some extent we have a lot of people that are substantially qualified. Not only that are on our list but also within our departments. So I think you'll find it when you start to look and enough people get their fingers in the pie, it tends to narrow down but there's always typically a little bit of a range. There's no such thing, it's not a science, you know it's not one plus one equals two. It's one plus one, I think, by equal to two point one or it might equal one point nine.

CHAIRMAN CARACCILO:

Well, then before I recognize Legislator Postal, let me just get a follow-up. Since the County was putting up one third of the purchase price, would it not have been prudent for the County to fight for the lower appraisal price on behalf of the taxpayers of Suffolk County? Let Mr. Isles answer that.

MR. ISLES:

I'm thinking. I think it's prudent for the County to get the best deal for the taxpayers they

possibly can. We are authorized when we're directed by the Legislature to acquire property to get the appraisals, to make our best review of that appraisal and judgment as to value. And obviously, we can't pay more than the value, which we certainly know. You know, I think a lot of this speaks of where do we want to go with this program? Mr. Amper spoke yesterday and said that this has been a fabulous program. The public loves this program. You, the County of Suffolk and this Legislature have done an outstanding job and don't derail the program for the Chandler Estate problem.

I certainly would welcome direction from this Legislature, in terms of the tone of how you want us to proceed. How you want us to adopt practices in the acquisition of property. I think the County has been aggressive. The County has been aggressive in wanting to protect our communities, protect open space and groundwater and farmland and that's the posturing attitude that the Real Estate Division has taken to get the job done, to accomplish it. Not to do so in a reckless manner, inappropriate to the public interest. I think the public interest has been well served. Obviously, with the events, recent events have raised cause for concern. It's my obligation; it's our obligation to make sure that there is no possible doubt of public belief and the faith in our abilities in this program and to move forward.

So in terms of, you know if we want to take the posture that there's one appraisal, we're not going to bend from that, we can do that. If you want us to not make deals happen, that's probably going to be the result of fewer deals. But you know when we negotiate; we look at additional data to raise the value. We are doing it to try to represent this County in a fair manner, to try to acquire parcels that have been deemed to be important in the public interest, not to overpay but to strike a deal that's fair for the public overall. So once again, I welcome any input you provide today. We are in a complete review of this program and whatever direction you provide to us, we'll be happy to take that into consideration.

CHAIRMAN CARACCILO:

Well, while I can appreciate the interest in going forward, I think we have to look at some of these recent acquisitions to make certain that, as you put it, you know mistakes aren't made in the future. And I clearly believe, while there was some errors made with some of these acquisitions and the facts or misrepresentation of facts when these matters came before the Legislature. And again, just sticking with Shadmoor for another moment, at the time it comes to the Legislature, which I think Counsel, it was September, October of 1999?

MR. SABATINO:

It was the autumn. I think it was October. I remember it being a certificate of necessity. It was either the last meeting in September or the first one in October.

CHAIRMAN CARACCILO:

We have Legislator D'Andre raising the question about State money and is State loaned money going to be part of this deal? And I'll quote from the minutes. It says Legislator D'Andre -- I'm sorry, this was the Presiding Officer Steve Hackeling. Is the State money guaranteed? That's a question. Legislator Guldi responded by saying that the State money status and I'm quoting, I'm advised that Stuart and he's talking to Stuart Lowery, can you clarify on that? Is it in the budget and is there some documentation on it? Stuart, you are more familiar. Stuart Lowery, Nature Conservancy. Then Mr. Lowery answers and I quote, I think to be blunt the State money is not guaranteed. So here we have a dialogue about an acquisition that comes to the Legislature as a C/N and as we know Certificates of Necessity are because they are time sensitive and there is some sense of urgency. Yet one of the three parties to this transaction has not guaranteed funding. So that raises in my mind, why were we rushing to approve this bonded resolution? It was part of the '99 Capital Program, which we had several more months to deal with. I mean, it wasn't as if -- and in fact, the transaction is not consummated for a whole year later. But here we are in September or October of '99 and now we get to the heart of the resolution and the resolution says, according to Legislator Guldi and I quote, our liability is, our liability is limited to the lesser of one third of the appraised value, which brings me back to the twelve million dollars we give -- by Terry Allar, one third of that value and no more than five point three three million dollars, the lesser of those, is that correct, Janet? And now he's talking to Janet DeMarzo and Janet DeMarzo says that's correct.

And then we have a dialogue by Legislator Tonna who says the Town doesn't put up their part of the money. And Guldi goes on to explain that the Town has passed a Town Board Resolution approving their portion. So that said, what again, I think, in terms of a case study is of interest to me is we have the sense of urgency to do something, take action, pledge five point four million dollars of County taxpayer money, bonded money, which is nine million dollars for an acquisition that appraisal reports indicate, County appraisal reports has a value of twelve point six million dollars. There's something that stinks here. Both in terms of the process, the timetable and the ultimate cost to taxpayers. And I go back to what Legislative Counsel said and I am going to request that the County Attorney issue an opinion, with respect to whether or not this was a gift of taxpayer's money.

MR. ISLES:

In terms of the legislative meeting in October, thereabouts of 1999, I can't really speak as to why it was a C/N and so forth. All I will do is note that the appraisals that we relied upon were done, subsequent to that in February and March in that timeframe. I guess the question then would raise and I realize it's a bit of a problem from a chicken and egg standpoint, the Legislature directs us to proceed with steps to do appraisals and surveys and so forth. And I realize that you're proceeding with not having all that information in front of you. If you would like to have that information in front of you, then that means we have to change this process and then that would be your decision if you wanted us to do that. And then provide it all to you and then we would then move forward.

CHAIRMAN CARACCILO:

At a minimum that's where I'm going. At a minimum. Legislator Postal, thank you for patience.

LEGISLATOR POSTAL:

It's going to be my suggestion that the issue seems to be that members of the Legislature feel that we're not privy to appraisal information at the time that we vote on these resolutions. And obviously, I think Legislator Haley sums it up. Educated us very accurately. An appraisal is not a completely objective document. There are so many variables there. But I think that the issue of the Chandler property and the appearance of impropriety is coloring everything else. And I was going to ask, you answered my question, I've a question that I had was I was going to ask you whether the State had an appraisal done? And you did; you answered that and you told us who the appraiser was and in fact, I think that somebody who is also on the County list. And I just have to comment that in everything, all the discussion that I've seen of the acquisition of the Chandler property, is frequent reference made to two State appraisals and the amounts that came in with those State appraisals. And that's used as, I guess, a barometer, in terms of the actual purchase price and the discrepancy between those appraisals and the purchase price is glaring and is often pointed out. But in this case, we have a State appraisal that is, in fact, closer to the purchase price. So it's kind of like, when we want to use the State appraisal as a means of comparison, we do. But when we don't want to use the State appraisal as a means of comparison, we don't. So you know the --

I think that the other point that you made relates to, I think Legislator Haley can confirm this as a person who does this professionally. That used to do it, excuse me. But he hasn't lost his knowledge. I would assume that when a property owner is involved in selling his or her property, that person has an idea of what the value of the property is and what the property is likely to sell for. You know as a person, who has only dealt with small residences, you know I have a pretty good idea if I want to sell my house, what comparable houses are bringing in my neighborhood. And if somebody comes to me and offers me something appreciably less than what I know the properties are going for, I'm not even going to consider it. As a matter of fact, I'm not likely to even want to hear from that person again.

So I think what you said was really a very important point. That if the objective is to acquire property and preserve property that you can't try to play games with a negotiation because you can, in fact, lose the property. And if the Legislature's objective is to acquire the property and to acquire the property at the appraised value, then it would be

counterproductive to make an offer that, you know a property owner is going to reject and may, in fact, be so incensed that that property owner is not even willing to talk to the County. But you know, I think that the issue, because you've said many, many times that if the Legislature decides that there are procedures that we feel would be helpful in creating, I guess, a greater sense of security with regard to the whole process that you would be receptive. And my thought is that the suggestion with regard to providing the appraisals, to members of the Legislature as backup information, seems to me and I don't know if that would have to be provided as a confidential piece of information. I would assume so that --

MR. SABATINO:

I talked about the discussion of the appraisal before the --

LEGISLATOR POSTAL:

If we came to an appraisal, if we had, for example, one resolution that was planning and acquisition together, rather than a two part process. That at some point, we should, the Legislature should have the appraisal information but I would assume it would have to be brought it on a confidential basis.

MR. SABATINO:

In the 1980's, that's the way it was done on key acquisitions. But what we do is we go into Executive Session on a committee level and there would be a discussion of it. Obviously individuals were instructed to treat this as confidential because to the extent that you don't, you're damaging or harming the County's interest. So as a matter of prudence, yes it should be treated confidentially. But there was no bar or ban to having access to the information. Legislators in those days consisted -- not in every transaction but on some of the bigger transactions or some of the more sensitive ones to do that. So the answer is yes you can do it.

LEGISLATOR POSTAL:

I was here. I was, matter of fact, on the committee that was called Conservation and Land Acquisition. We called it -- We called it a number of different things and that was the procedure that we followed. And I think it really would be very helpful to return to that procedure. So that, at least, Legislators feel that number one, they are not buying a "pig in a poke" and they understand what all of the, I guess, terms and conditions are before they buy into going ahead with an acquisition. So you know, I think that that would go, at least, a certain way toward resolving the problem. And I don't think Marty, as I remember, that it prolonged or delayed the process enormously. As a matter of fact, our Assemblyman Steve Englebright shared the committee at one point, when I served on it. And I think that he would have been the first person to be irate if it resulted in a prolonged process. So I don't think it did but that was the routine process.

LEGISLATOR HALEY:

No, I understand that. And I think what's very, very sensitive; I'll give you an example. The Wedge is a perfect example and Chandler is another. And I found it appropriate for me not to participate in any way, shape or form, because the instant you participate, you effect the demand. And when you effect the demand, you effect the price. And the instant, I mean the Wedge, the problem with have with the Wedge, for instance is -- let me rewind a little bit.

I think it's very important to know and to accept the level of professionalism for these people who review appraisals. It's not the function of Terry Allar or that Real Estate Appraisal Unit to ascertain what should be offered or not offered on a particular piece of property. They need to give the tools necessary, in the past, the most recent past to Allan Grecco to come to a determination and how to go ahead and negotiate. You would hope, or you would figure that on a professional basis, once you have an indication of what the value of the property is, they are going to do the best job they can to get it at a reasonable price.

But you know and I know that the instant you say the County of Suffolk is looking for a piece of property, they think -- they go back to -- they think it's a condemnation type thing and we're going to pay 25, 35, 50 percent above the value, which happens sometimes in

condemnation proceedings but it's not the case. A lot of time I find that I have to educate people as to what the process is and the market value. Everybody wants to know what that is including the prospective seller. A prospective seller is going to go out and especially, if you get a large parcel that you think is worth -- he thought, for instance, the Chandler, he thought was worth seven million. He's going to go out and do his own appraisals.

So it's from a professional perspective, we need them to provide the tool for us to negotiate. We've got to make sure that we don't participate in any way, shape or form, because then we adversely affect the ability to negotiate. I purposely stayed out of it. I'll give you an example. We approved; this Legislature approved that 75 acres. We also approved -- several months prior to that 108 acres in Miller Place for open space, all right! I have had the owner of that property call me and say has the appraisal come in or do you know what the value is? So I said look, I'm going to be quite frank with you; I'm not participating that part of the process. We will appraise it and negotiate accordingly. He has the option of going out and appraising it themselves but I don't want to get in the middle of it. I mean, it's crazy and if you do that, you can lose deals.

And I want to make one little quip here regarding the State of New York, okay and the representations that I've been hearing. And like the State of New York, the representatives that come here, you know claim to have -- their claim to fame is that they are the leaders of Acquisitions and Environmental Programs. It's not the case. The State routinely, their appraisals don't even come close. The State does not do acquisitions. They haven't done acquisitions in years. As a matter of fact, I asked the State to participate in Chandler; they weren't interested. Except the Senator was willing to find some -- a half a million dollars that he had the ability of what we would call member items, perhaps to participate, the State wasn't interested. The State has not done any acquisitions at all. Their appraisals have routinely been below that which people are willing to sell at. They have not been successful. We have. So I think it's best for us to try to stay out of it as much as possible and to -- I don't have a problem with getting a sense, as long as we understand the confidentiality of it is.

And as long as we understand it, we do and I honestly believe that we have professionals working on the real estate review sections. And I -- the history I've seen is that they've been conservative. I know you don't like that word but they have. I think they have been conservative and I think that's important. But they've also been realistic enough, so that we have the tool and we've met with success. And I'm really frightened that we might affect that.

CHAIRMAN CARACCILO:

Well that gives me a perfect opportunity to go to OBI, because Legislator Haley has every confidence in the appraisal staff. I would like to and in the OBI instance, if you can pull that file Mr. Isles? We have Mr. Taibbi, who was the Review Appraiser on the Oak Beach Inn acquisition and in documents you provided, we have his appraisal report dated 4/27/01 pages 2 through 7. It's a seven-page review appraisal followed up, as I recall, with a one page from -- we don't have that here now okay. I did have it. I did have the Senior Review Appraiser comments somewhere else. But on page 1 or page 2 of his appraisal, he says, after reviewing the appraisal report and speaking to the appraiser on two occasions and he's talking here about the County Appraiser, I believe. And he mentions the dates that he spoke to the appraiser, April 16th and April 23rd of 2001, meeting with the Town of Babylon, Director of Planning and inspecting the subject property and all of the comparables. This reviewer has no alternative than to reject the appraisal report in its entirety. Could you tell us what the appraisal report value was?

MR. ISLES:

The appraisal report value was eight point three million dollars.

CHAIRMAN CARACCILO:

So tell us what takes place from April 27th, in this Review Appraiser's report to the point in time where the County becomes one of, again, several parties to acquire this property? And what was the ultimate purchase price?

MR. ISLES:

The ultimate purchase price was a little bit less than eight million dollars. It was seven point nine million and change.

CHAIRMAN CARACCILO:

Okay, so how does one get to that juncture, given this Review Appraiser's report and commentary? I can go into the whole thing. But in the interest of time, I'll probably reduce in writing some of the questions I have regarding this whole process.

MR. ISLES:

Okay, let me just first begin by saying one thing and that is that the acquisition of the Oak Beach Inn property was an extremely complex acquisition involving the settlement of two lawsuits, oversight by the State Supreme Court on this whole transaction matter. And at least a dozen attorneys, I think, were involved with this one. So I just point that out that this is not a simple one that I can give necessarily instantaneous answers to. But certainly, this committee is entitled to answers and if I need to get them, I will get them to you. In terms of the -- this was an acquisition that was authorized by the Legislature. I believe it was in January of the Year 2001. It then began a process of -- it was an acquisition that was involving the Town of Babylon and also the Nature Conservancy. And in this case, the County of Suffolk did hire the Nature Conservancy to represent us in various stages of the negotiation, to assist us with the closing and so forth. There was also heavy involvement with the County Attorney's Office, since there were the two lawsuits pending on this matter. By the way, the lawsuits were in the Town of Babylon, not with the County of Suffolk. But what happened then is that once we were authorized to proceed, we then engaged the Nature Conservancy in February of last year to assist us on this. We ordered an appraisal as the standard course to do.

There were also, from what I can gather in the review of the file around that time, extensive discussions on the determination of the value on the property, the yield on the property. I've done some research on the a -- the property apparently has a mixed zoning on it. But obviously, this is a parcel than many of us know that it was a bar, nightclub on the South Shore for many years. It was a parcel that had a commercial value to it, as a non-conforming use at that location, on a prime waterfront setting and so forth. There were discussions to look at alternatives to a continuation of a Bar and a commercial use and one of those alternatives that was left out was the idea of a residential development, which from a planning standpoint seems to make sense, since there are homes on either side of this property and they seem to be more in character. So the basis on the appraisal here again, in my review of this was based on a condominium development of 114 units and that was what the value was derived from.

CHAIRMAN CARACCILO:

Mr. Isles, did you just say a moment ago that the condominium proposal would have been more in tune with the character of this area?

MR. ISLES:

Well, I think in a standpoint of being residential versus being a commercial use and not only commercial but a late night, very active, noisy use. I've never actually been there when it was opened. But I understand there were a lot of complaints and noise problems and so forth in the neighborhood. So in the general sense, does it seem to make sense to go from that use, a very noisy traffic contentious use to a residential use? Yes, I think from a planning step point of view.

CHAIRMAN CARACCILO:

I saw the Arial of the property. Where are the residents that --?

MR. ISLES:

There are residences on both sides actually, east and west of this.

CHAIRMAN CARACCILO:

Okay and they weren't actually that visible in the Arial.

LEGISLATOR POSTAL:

Mr. Chairman?

CHAIRMAN CARACCILO:

Yes.

LEGISLATOR POSTAL:

They are immediately to the west is Oak Beach, which is a residential community. I don't know how many homes there are but you know you could probably throw a rock from the Oak Beach Inn and hit the first house.

CHAIRMAN CARACCILO:

Are there many houses?

LEGISLATOR POSTAL:

I don't know how many there are but I would say they to be at least 50 residences there.

MR. ISLES:

I was thinking at least several dozen. The other thing too at the Oak Beach Inn is that it has a large outdoor deck area. So on a summer night, the sound would travel extensively in that area. But that there are very definitely houses in the immediate area. I have been to the site recently.

CHAIRMAN CARACCILO:

Okay. Are you finished with your summary?

MR. ISLES:

I guess so.

CHAIRMAN CARACCILO:

Okay. The appraisal in this case ordered for, by the County Division of Real Estate. The appraiser who was assigned the work was Fredrick Wood. Tell us a little bit about Fredrick Wood?

MR. ISLES:

Fredrick Wood is a company that does appraisal work. They are licensed by the State of New York and they are approved by the Legislature, as one of the appraisal companies that we are authorized to hire to conduct appraisals.

CHAIRMAN CARACCILO:

Mr. Taibbi notes not only at the beginning, which I already cited but also on page 7 in the conclusion. He says, although the appraiser in this reviewer's opinion has attempted as best he could to arrive at the subject fair market value. The review conclusion is that everything in the report is suspect for the reason stated. The appraisal does not meet our standards. And the appraiser in this reviewer's opinion has demonstrated a lack of ability to properly address formulating a coherent opinion of fair market value for the subject. That is a very stinging and damaging statement. When something like this is reviewed in your office by the Division Director, the Deputy Director, whomever, the Senior Review Appraiser, is there any discussion about that and about using this particular appraiser in future County work?

MR. ISLES:

Well, there has been discussion recently about perhaps revising the list of appraisers that the Legislature will allow us to go to. Quite honestly -- I think the -- I think as part of that review, perhaps what we want to do is contact the State to see if there are any complaints against this license. I'm not aware of any other complaints against this company. But I think, in the general context of our re-examination of this program, I think one of the things we would want to do is write to the State of New York, the Licensing Agency, ask if there are

any complaints or any charges. And I think the other thing we talked about in Environment Committee is that maybe that review of the appraisers is done on an annual basis or a more frequent basis than a five-year basis.

CHAIRMAN CARACCILOLO:

Here again is what's troubling me. This is the same appraiser whose work is called into question by myself and others. As you know, the Town of Riverhead we had discussion regarding the Campo acquisition, okay! And this is the same appraiser, who according to some has come to faulty conclusions, assigning market values that are not consistent with facts. We want to get to Campo in a little bit. But you know everybody seems to just want to gloss over this whole area. I'm not going to let it gloss over. I am going to correspond with you. I'm going to correspond with the County Attorney. And I want to get to the bottom of the County appraisal process, not only how its done but whom we contract out with. And whether or not, they are doing the taxpayers of this County a service or a disservice. And I think, clearly Mr. Taibbi's remarks concerning Fredrick Wood calls into question this appraisers abilities. Do you disagree looking at this appraisal report on what we now know about Campo?

MR. ISLES:

I think it would be a good idea to review the list of appraisers.

CHAIRMAN CARACCILOLO:

No, this particular appraiser. You said something before about contacting the State?

MR. ISLES:

Quite honestly, I really can't speak on this appraiser. I don't know enough about him and I can't say that -- obviously, I see the comment here. I've never met them. I've never had any personal dealings with them and so --

CHAIRMAN CARACCILOLO:

Were you aware of this appraisal? This was this year.

MR. ISLES:

Appraisal, yes.

CHAIRMAN CARACCILOLO:

Did you look at Mr. Taibbi's report?

MR. ISLES:

Not until recently, no. I think the appraisal came in right about when I came on board actually.

CHAIRMAN CARACCILOLO:

So who looked at this appraisal report?

MR. ISLES:

This would have been looked at by Allan Grecco obviously and obviously, by Gary Taibbi. Now here again, I'll just make the point too, Mr. Chairman that the OBI matter was probably the most complex acquisition ever received. It involved the oversight by State Supreme Court, just as Catterson. In going through the record there were numerous appearances before the court and so I don't want to give any flip answers to you. It's obviously too important of a topic for that. But it was an application and a review involving the Nature Conservancy, the Town of Babylon. There was also an involvement by the State of New York on this on some property that they owned and you know a very complex matter. So it wasn't something that was done haphazardly that's for sure.

CHAIRMAN CARACCILOLO:

Was this appraisal used? The Wood appraisal used in the acquisition of this property?

MR. ISLES:

Yes. From what I can see, yes.

CHAIRMAN CARACCILO:

Okay and that raises the question, we're looking at an appraisal that didn't meet our standards according to the Review Appraiser. Demonstrated a lack of ability to promptly address formulating a coherent opinion of the fair market value. How could that be used?

MR. ISLES:

Obviously, a good question. And the Appraisal Reviewer provides comments and those are obviously, very significant comments. It's something -- the question that I've certainly had on this one. That's why I can't give you all the answers today. My understanding and this is not -- I'm not 100 percent sure of this but my understanding is that this appraisal was submitted to the court as part of this whole package and setup with lawsuits and so forth. And it was accepted by the court and that's really what drove the purchase price. But I'd like to verify that with the County Attorney's Office before actually telling you that. You know in final form.

CHAIRMAN CARACCILO:

Is it normal for the Review Appraiser to totally reject an outside appraisal?

MR. ISLES:

I'm not sure if normal is the word. It does happen. Obviously, as we've seen with the Shadmoor, they do adjust the price and so forth. And when I've spoken to the Senior Appraiser Reviewer, she's indicated to me that not only are there times when they come in and they reduce the price of the appraisal report, perhaps suggest, they'll actually suggest the price should be higher. What she's indicated to me, in her charge of that unit is that their purpose is to find value. To find the fair market value and that's really what drives it. And sometimes yes, they do reject appraisals.

CHAIRMAN CARACCILO:

When you see a negative report like this, what's done? Do you throw out the appraisal? You start anew? Do you ask the Review Appraiser to fix it? What do you do? How is it dealt with?

MR. ISLES:

Here again, that's where it gets a little unclear to me. Because I think this was all presented to the court. And I'd like to maybe perhaps make a reappearance before this committee with a representative from the County Attorney's Office who is more intimately involved with that. You know all of what we're talking about both specific to OBI, as well as general is that in getting back to finding a fair market value for County acquisitions. Believe me, over the past couple of weeks I've given this a lot of thought. And I'm not sure if it's possible for any of us to get to the point we have 100 percent confidence. But the number that's being paid is completely the fair market value. I don't know if it's -- I think it's impossible quite frankly. I think what we have to strive for eventually and this review of the past acquisitions is important and they can tell us -- teach us lessons we have to get to as a process that we can all rely upon that it was fair. That it was diligent. That it was professional. And if we can rely on the process, we can get less concerned about the number. The number, I think, is going to be -- I can go through any file that we've ever bought in this County of Suffolk and raised questions as to whether it was the right number or not. And I don't know if there's any avoiding that. But I think what we can do is develop a process that has confidence that we, at least, know if the procedures were followed. If the policy of the Legislature was followed. Then I think that provides the best protection for the program.

CHAIRMAN CARACCILO:

Just to conclude, because I will generate correspondence to you and the County Attorney. That I appreciate, you know, you have to qualify somebody to do responses but there were four parties involved in this transaction. The original property owner or the property owner of record.

MR. ISLES:

Right.

CHAIRMAN CARACCILO:

Who was in litigation with the Town of Babylon? Who the Town of Babylon then sold this property. At the closing there were four parties involved? The original property owner?

MR. ISLES:

At least four parties. We can go through them one by one.

CHAIRMAN CARACCILO:

Go ahead.

MR. ISLES:

Okay, well there was the County of Suffolk.

CHAIRMAN CARACCILO:

Start with the property owner because the property owner sold this property to the Town for a couple million dollars.

MR. ISLES:

Okay, we have the property owner.

CHAIRMAN CARACCILO:

You have a simultaneous closing with four parties.

MR. ISLES:

We have the property owner. We have a Contract Vendee who is going to buy the basic OBI property itself. We have the Town of Babylon, as you indicated sir. We have the County of Suffolk. We had the State of New York.

CHAIRMAN CARACCILO:

There are five.

MR. ISLES:

Five parties that I can --

CHAIRMAN CARACCILO:

Okay, so let's start with the property owner. The property owner was in contract, not the property owner. The property owner was in litigation with the Town of Babylon. The Town of Babylon was in contract with the Contract Vendee.

MR. ISLES:

I'm not sure of that.

CHAIRMAN CARACCILO:

Counsel?

MR. SABATINO:

I thought that the Contract Vendee was under contract with the --

CHAIRMAN CARACCILO:

Property owner?

MR. SABATINO:

The property owner was in litigation with the Town and the State was doing some kind of a trade of property to facilitate the transaction. That's my recollection from a distance.

MR. ISLES:

Right and then the sixth entity that was involved was the Nature Conservancy.

CHAIRMAN CARACCILOLO:

Okay, do you have documents from the closing?

MR. ISLES:

Yes, I do.

CHAIRMAN CARACCILOLO:

Okay. Would they relate only to the County's portion of the closing or all of the parties?

MR. ISLES:

I'm trying to recall how this whole thing was structured. Let me find it. You're talking about a paper trail and we certainly have one here. This is the start of the closing documents right here.

CHAIRMAN CARACCILOLO:

Why don't you take a moment to review that? Maybe you'll be able to key in on some sections that relate to questions I have.

MR. ISLES:

I have the documents here. What exactly, what type of information would you like sir?

CHAIRMAN CARACCILOLO:

Okay, the -- do the documents reflect all of the transactions that took place that day?

MR. ISLES:

One document I see here is a summary of the transactions. For example, parcel one went to the Town of Babylon, formerly Oak Beach Inn Corporation and Robert W. Matheson transferred by deed on October 23rd of this year. Parcel number two, Oak Beach --

CHAIRMAN CARACCILOLO:

Is there a purchase price for that?

MR. ISLES:

No.

CHAIRMAN CARACCILOLO:

Anything in the file that reflects the closing statement who paid what for what?

MR. ISLES:

My understanding of the transaction is -- here again, the County of Suffolk came in and made a purchase of the property for the seven point nine million dollars. As part of that, the Town of Babylon did a settlement of their lawsuits and made a payment, I think, of one point seven million dollars.

CHAIRMAN CARACCILOLO:

So who did the County write the check to? One party or several parties?

MR. ISLES:

I think we wrote the check to the Nature Conservancy. But let me give you --

CHAIRMAN CARACCILOLO:

So one party receives one point -- what was that amount?

MR. ISLES:

One point seven million and that was for the -- that was not for property. That was for a Town of Babylon settlement of lawsuits.

CHAIRMAN CARACCILOLO:

Okay, explain to me how the County gets interwoven, entwined in litigation dealing with a

Town? We're paying seven point nine million dollars.

MR. ISLES:

Right.

CHAIRMAN CARACCILO:

For a piece of property, I'm trying to remember the size. Was this 4 acres?

MR. ISLES:

The total thing was about 9 acres.

CHAIRMAN CARACCILO:

Nine acres. But part of this property, I mean, wasn't usable for development purposes? It also was at fault in terms of the appraisal. Wood's appraisal, as Gary Taibbi, pointed out in numerous places is that comparables that he compared this property to were not relevant. They were many miles away in much more desirable locations. Long Beach to the west and the Hamptons to the east. So here we are paying seven point nine million dollars. We're helping a Town get out from under a lawsuit for one point seven million dollars and where's the rest of the money going?

MR. ISLES:

What other money?

CHAIRMAN CARACCILO:

Well, the seven point nine million dollars.

MR. ISLES:

For seven point nine million, we bought the OBI 9 acres of land under Active Parklands of which -- from which the Town of Babylon is now obligated to remove the buildings and build a park there. And the other three million dollars came from Babylon's allocation of the Old Drinking Water Funds under 125E.

CHAIRMAN CARACCILO:

I know that.

MR. ISLES:

Right.

CHAIRMAN CARACCILO:

Okay but you did touch on another sore subject for me and that is, when we enter into these partnerships with Towns, oftentimes the agreements are not really binding. In other words, they say that, you know they're going to do something with the property. But there are no rigid timetables, where the public can expect that there will be park facilities or recreational opportunities afforded to them within the near future. The Town may take 20 years to do something with this property. Meanwhile, we purchased it for seven point nine million dollars and it just sits there in its current state.

MR. ISLES:

It's my understanding --

CHAIRMAN CARACCILO:

What's gained by that?

MR. ISLES:

It's my understanding the Town of Babylon has agreed to complete these improvements in a sixteen to eighteen month timeframe.

CHAIRMAN CARACCILO:

And if they don't?

MR. ISLES:

If they don't, then the typical recourse that the County would have would take hold. The County still owns the underlying property and this is a brand new Program Active Parklands, so we haven't experimented with this too much. But I would assume the County would then have the recourse to void the agreement with the Town of Babylon.

CHAIRMAN CARACCILOLO:

Why shouldn't those guarantees be in place up front?

MR. ISLES:

Well, I believe it's part of the transactions that Babylon agreed to build a park. To take down all the buildings, which I think is a two hundred thousand dollar cost and to construct a park there. And if you want documentation of that but here again, that was my understanding of the transaction.

CHAIRMAN CARACCILOLO:

For two hundred thousand dollars, we paid a one-point seven million-dollar judgment against it.

MR. ISLES:

Well, they paid the one point seven million-dollar judgment.

CHAIRMAN CARACCILOLO:

Yes, from the seven point nine million-dollar proceeds of this sale.

MR. ISLES:

No, they paid for it out of the Town of Babylon funds. We paid seven point nine million out of our --

CHAIRMAN CARACCILOLO:

The seven point nine million-dollar check that the County wrote?

MR. ISLES:

Right.

CHAIRMAN CARACCILOLO:

Who did it go to and in what amounts?

MR. ISLES:

I believe it went to the Nature Conservancy in a single amount because I remember seeing it last night but -- a copy of the check. But let me --

CHAIRMAN CARACCILOLO:

And when those who were present at the closing walked away, the Nature Conservancy walks away with a seven-point nine million-dollar check. Why is that and what roll do they now play in taking the check with them?

MR. ISLES:

The Nature Conservancy was brought on to assist the County in this very complex transaction.

CHAIRMAN CARACCILOLO:

Well, they received a fee?

MR. ISLES:

Yes, they did receive a fee for that. In accordance with their contract approved by the Legislature and so, therefore, the check -- here's the check right here. The check amount is seven million, seven hundred thousand dollars. It's dated October 2nd of this year and it's written to the Nature Conservancy.

CHAIRMAN CARACCILOLO:

Okay, now Newsday and other -- well, primarily Newsday reported that there were four parties, five parties as you stated to this transaction. Each of them is provided a sum from the seven point nine million dollars. The Nature Conservancy now has this check for seven point nine and where does that money go?

MR. ISLES:

That went to pay the property owner for the property.

CHAIRMAN CARACCILOLO:

Okay, could you explain who received what from the seven point nine million proceeds?

MR. ISLES:

I think the proceeds and I can give you something in writing, because I don't want to be sloppy with this information to you. The payment for the Nature Conservancy went to the property owner, Mr. Matheson.

CHAIRMAN CARACCILOLO:

In what amount? Do you recall that?

MR. ISLES:

I believe that was in the amount of around five million dollars and then a payment went to the Contract Vendee. Here again, it might be under another corporate name. I think that's how it was split up.

CHAIRMAN CARACCILOLO:

So he receives something in excess of the five million dollars?

MR. ISLES:

The Contract Vendee?

CHAIRMAN CARACCILOLO:

Yes.

MR. ISLES:

Yes.

CHAIRMAN CARACCILOLO:

Okay and how long did he own the property?

MR. ISLES:

I don't think he owned the property at all. He had contractual interest in it for a period of time.

CHAIRMAN CARACCILOLO:

Okay. We'll put some more questions in writing to you on this subject, because I want to now close by just talking briefly about the Campo acquisition and if you could just give the committee an overview of that?

MR. ISLES:

The County of Suffolk purchased property known as the Campo property in the Town of Brookhaven. Riverhead, okay I'm sorry. You know, actually I don't have the file because I thought we were talking about Chandler as well. I have the file back in my office. So anyway, this is a parcel that here again, was authorized by Legislative Resolution. The Real Estate Division then commenced -- I think, the Legislative Resolution was authorized in the Year 2000. The appraisal was completed October 27th, 2000. And from that, we completed an appraisal review and made an offer to the property owner during the winter of 2000, 2001 and eventually came into contract with Campo and consummated a purchase of the property in the spring of 2001. Right, that's correct. Mr. Campo is a Contract Vendee from what I understand. So it was owned by Bear. He was the property owner. Campo then went into contract to buy it, I guess, right before the County had an interest in acquisition and Mr. Campo was interested in subdividing the property. It's definitely the Town of Riverhead. I

apologize, Mr. Caracciolo. Subdividing the property, made application with the Riverhead Planning Board for a subdivision and that's when we got involved as part of -- as far as the County of Suffolk is concerned.

CHAIRMAN CARACCILOLO:

Was there representation made in the Fredrick Wood appraisal dated November 6th, or subsequently that indicated that this property had been approved for a preliminary subdivision?

MR. ISLES:

I'm not sure, sir. I apologize for that.

CHAIRMAN CARACCILOLO:

Okay. Do you recall the meeting we had in my office?

MR. ISLES:

Yes, I do.

CHAIRMAN CARACCILOLO:

With the Planning Board Chairman, from the Town of Riverhead?

MR. ISLES:

Yes I do.

CHAIRMAN CARACCILOLO:

Where we discussed this acquisition and a memo that I received from Mr. Grecco? Let me just find that memo.

MR. ISLES:

I do recall the memo.

CHAIRMAN CARACCILOLO:

Okay. Do you have a copy of that memo from Allan?

MR. ISLES:

Yes, I do. I don't have it here. But certainly, I'm not going to dispute. I do recall the memo and I think one point of contention was the subdivision matter. I believe that's what you're referring to?

CHAIRMAN CARACCILOLO:

Right. In other words, there were clear representations made. It should be in this file. Here it is. In a memo dated to me from Allan Grecco, November 28, 2001, in response to a request. He indicated on the Bear-Campo transaction, it closed May 29th. It was a fifty six point six one-acre purchase. The purchase price was three point five million dollars. Included in said transaction was a donation by Campo of six parcels in the Pine Barrens Core and other environmentally sensitive areas. It should be noted that these donated parcels were originally authorized for a swap with Campo for two building lots.

The appraisal came in at three point two five million and the internal review with the donated parcels arrived at the three point five million figure. Bear held title since 1981. Campo was in contract to purchase the property on September 8th, 1999. He had and this is the key reference, he had preliminary approvals for this subdivision from the Town of Riverhead and it appeared based upon our meetings with Town officials that final approval would be on a fast track. That statement was totally and completely refuted by the Chairman of the Planning Department in the Town of Riverhead. You were in my office.

MR. ISLES:

Yes, I was there.

CHAIRMAN CARACCILOLO:

When they so indicated that?

MR. ISLES:

The Chairman of the Planning Board, right.

CHAIRMAN CARACCILOLO:

That's right. How in the world do we have a material misrepresentation in a County appraisal of that magnitude? Because, as you know, that substantially increased the value, the market value of the property having preliminary approvals or not having preliminary approvals? True or false?

MR. ISLES:

In terms of increasing the market value?

CHAIRMAN CARACCILOLO:

If you have an appraisal that says don't have approvals, it has one value. Do you have a report that says it contains approval? So preliminary approvals, it increases the value.

MR. ISLES:

I would think so, yes. I would agree with you.

CHAIRMAN CARACCILOLO:

Do we know by how much this property may have --?

MR. ISLES:

Increased in value with an approval? No, I don't think we do. I was at that meeting Mr. Chairman and the Planning Board Chairman did indicate that there was not preliminary subdivision approval. I did speak with the Real Estate Director about that. He indicated to me that he had gotten that information from the Planning Director that it was approved and heading towards final approval. It is of concern to me, in terms, of simple factual piece of information. And I made it quite clear to the Real Estate Division that -- and I think, I mentioned this yesterday at the Environment Committee that had a -- it's a very simple thing to do. If the Town is representing or the builder is representing it, they have a certain approval. It's very easy for us to get a copy of it and so the Real Estate Division, as I mentioned, is now focused on that.

CHAIRMAN CARACCILOLO:

What responsibility does the appraiser have in ascertaining information like that? That is material information in what you value a piece of property.

MR. ISLES:

Yes.

CHAIRMAN CARACCILOLO:

This goes back to what I said earlier about Mr. Wood and his track record at Shadmoor and this property. Not Shadmoor, Oak Beach Inn. I think your department has to call into question this individual's work product with those who review appraisers.

MR. ISLES:

I think it's what I mentioned earlier. I think the idea of a review of our appraisal list is a good idea. And I think, it would be helpful to us and here again, I can't speak directly on Mr. Wood, because I have not investigated that thoroughly at this point in time. But it certainly is one of the parts of an appraisal analysis is to determine what's legally permissible on the property, the likelihood of that and so forth. So it's a key question, as to what is the yield on the property, what is the likelihood of getting an approval and so forth. So it is part of the consideration.

CHAIRMAN CARACCILOLO:

At the end of the day, the taxpayers of Suffolk County purchased this property based on representations that were faults for more money than they should have.

MR. ISLES:

It's hard to say. I think the -- in terms of the status of the Planning Board approval that was incorrect, in terms of they didn't have preliminary subdivision approval. I think what's tougher to evaluate in this position in hindsight now is what effect would that have had on the value and the final price that was paid by the County. I think that would take a fair amount of research and perhaps even -- you know, I'm not an appraiser. So in terms of evaluating that kind of question --

CHAIRMAN CARACCILO:

Or maybe I should bring in some appraisers and asked them that question.

MR. ISLES:

Or maybe I need to talk to some of the people in my office who do have confidence in that, that have abilities and so forth. But for me to say off the cuff that it is a reason -- I don't think would be professionally responsible on my part.

CHAIRMAN CARACCILO:

But in your experience as the County Planning Director, Town Planning Director with many years of experience dealing with Real Estate acquisitions, those who have the qualification and the credentials? Is that fair to say that they would not value a piece of property that did not have preliminary approvals for as high a value as they would for that same piece of property that had preliminary subdivision approvals?

MR. ISLES:

Here again, I would agree with you. As I said earlier that if all the approvals are in place then I think that would be more valuable than raw land but said that there was nothing pending and so forth. The tricky part probably becomes if something is in the middle of a process with legislative approval.

CHAIRMAN CARACCILO:

Just respond to me in writing specifically, to that question? As to what effect this acquisition had the appraiser done his job properly and the review -- was there a Review Appraiser on this?

MR. ISLES:

Yes, I believe there was, yes.

CHAIRMAN CARACCILO:

I didn't have that attachment in my file. Do you recall who that was? Do you have that with you?

MR. ISLES:

No, sir I don't. There was a review appraisal done of this case and I can get a copy of that to you, certainly, if you want it.

CHAIRMAN CARACCILO:

Counsel?

MR. SABATINO:

Just an observation. I'm looking at the document that the Chairman handed to me, which is the appraisal. The appraisal by Wood Associates appears to be an appraisal that was done for the property owner, because it's addressed to Campo Brothers. This can't be the County appraisal.

MR. ISLES:

No and as I --

MR. SABATINO:

My point being that this may not be the right document because this is not --

CHAIRMAN CARACCILO:

Was there a County appraisal done on this property? Because this is all I received. I requested the appraisal and I received -- Counsel?

MR. SABATINO:

I just noticed when I was going through it as he handed it to me. And when he mentioned the review appraisal, I looked and it says Campo. So the opening sentence indicates that it was prepared for the property owner, so --

MR. ISLES:

Absolutely, absolutely. I believe there was an earlier appraisal. I can find that out for you, for a matter of fact. Mr. Caracciolo and I have had a discussion on the topic of what value do we assign to an appraisal report that's prepared or ordered by the property owner that there may be a question with that. In October, of this year, I directed the Real Estate Department to no longer accept that and so that's one practice we terminated at this point. We'll take theirs under consideration balanced against ours perhaps, but we're not going to rely upon that for --

CHAIRMAN CARACCILO:

Would it be fair to say that the internal Review Appraiser for the County would have used the information contained in the property owner's appraisal report making the reference to this being preliminary approved subdivision property, in terms of determining a value?

MR. ISLES:

I would think that they would have looked into that or maybe they would have called the Town and asked him what is the status of the subdivision review and so forth. I know that an appraisal review was done in this case, because I've read it. I've seen it. And certainly, if you would like a copy I can get one out to you.

CHAIRMAN CARACCILO:

Okay, could you fax that to me this afternoon please?

MR. ISLES:

Yes.

CHAIRMAN CARACCILO:

Legislator Haley?

LEGISLATOR HALEY:

Mr. Chairman, I just want to recognize Mr. Sparks and his government class in Longwood. And I know that you represent part of Longwood and I'd like them to know who you are.

CHAIRMAN CARACCILO:

Okay. Well, along with Legislator Haley, Legislator Postal, who is the Deputy Presiding Officer of the Suffolk County Legislature, I'd like to take this opportunity to welcome you also. And please feel free to stay as long as you wish. And as we conclude business, I'd be happy to stay for a few minutes along with others to maybe answer some of your pertinent questions. So welcome. All right, Tom we will be initiating correspondence to -- not conclude but I think begin the process of these questions that need answers to, so that I can have a sense of security. That the measures you talk about improving the system are really improved completely and put better because clearly, when we look at -- you know, we don't like to be in a position as County elected Legislators, the legislative branch, a micromanaging department, heads or department budgets or department personnel or actions. But clearly, there is a record here of -- I won't go so far to call it mismanagement yet, but clearly, there are discrepancies here that are disturbing.

MR. ISLES:

I appreciate that and certainly, we welcome any inquiries. We will provide candid honest

answers to you, to the best of our abilities, in terms of the information we have. I think this has all caused us to want to step back a little bit and to make sure that you're comfortable as the County Legislature and the public is comfortable with our program. I hope we don't lose sight of that program now that it's once again, we point out it's a nationally recognized program. There's a lot of good that's been achieved by this program and protection to the environment and to farmland. So whatever cooperation I can provide in this department to help this Legislature through that, I will do so with priority and hope that we can come out with a process that we're all comfortable in, have confidence in and we can move forward with this excellent program.

CHAIRMAN CARACCILO:

I think we all look forward to that. Thank you very much and you'll be hearing from me.

MR. ISLES:

Okay, thank you.

CHAIRMAN CARACCILO:

Okay, at this time, I'm going to go to the agenda because this meeting is beginning to run on. But I hope my colleagues understand for good cause and take up today's agenda. Counsel, in the absence of two committee members, today's votes will require what portion of the total present to be approved?

MR. SABATINO:

Anything that's prime will require a unanimous vote to be discharged.

LEGISLATOR HALEY:

And most of these items Mr. Chairman are already done.

CHAIRMAN CARACCILO:

Right. I was just going to mention that if we begin on page 2, before we get to the agenda and strike IR 2091, 2092, 2093, 2094, 2095, 96, 97, 98, 99, 2100, 2101 and 2002. All of those resolutions were previously approved and that was an administrative error on the part of my staff for including them on this agenda. We'll go to tabled resolutions.

LEGISLATOR HALEY:

There's more.

CHAIRMAN CARACCILO:

There's more, okay.

MR. SABATINO:

If you want to strike them all at one time you can strike 2057 --

CHAIRMAN CARACCILO:

What do you have Counsel?

LEGISLATOR HALEY:

Can we start from the beginning? Under tabled resolutions, I got two 2058 and 2059 that should be stricken, right? And then, there's only 2044 on that. On tabled non-prime, there's nothing on that because everything should be stricken. They were all approved either at the 11:30 meeting or by C/N and then on the prime, you mention all of those.

CHAIRMAN CARACCILO:

Okay, so we would then --

LEGISLATOR HALEY:

And non-prime I don't have any.

CHAIRMAN CARACCILO:

Right 2105 --

MR. SABATINO:

Start with 2044 on the first page.

CHAIRMAN CARACCILO:

Right, is there a motion? To approve?

LEGISLATOR HALEY:

Second.

CHAIRMAN CARACCILO:

Authorizing the County Comptroller and the Treasurer to close certain Capital Projects. Budget Review, comment?

MR. SPERO:

This is a housekeeping resolution that's submitted annually to close out any remaining authorizations and Capital Projects that are completed.

CHAIRMAN CARACCILO:

And the net effect?

MR. SPERO:

Any excess cash is transferred to the Capital Account to repay debt.

MR. SABATINO:

About two hundred and sixty three thousand dollars on this one.

MR. SPERO:

If there's no cash, it's just canceling the appropriation.

CHAIRMAN CARACCILO:

Very good. A motion and a second. All in favor? Opposed? Abstentions? Unanimous. Approved.

TABLED RESOLUTIONS:

I.R. NO. 2044 (P) Authorizing the County Comptroller and County Treasurer to close certain Capital Projects. ASSIGNED TO FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 APPROVED

CHAIRMAN CARACCILO:

Okay, Counsel that will then bring us to I.R. --

MR. SABATINO:

2073 on page 2.

CHAIRMAN CARACCILO:

2073 --

MR. SABATINO:

Or at the bottom.

CHAIRMAN CARACCILO:

Okay. Revising policy for Tobacco Settlement Revenue. Counsel, could you give a brief explanation?

MR. SABATINO:

This legislation proposes to allocate the tobacco revenues as they come in, in the future, in accordance with a formula that is set forth in the bill. It speaks for itself. It's got percentages like 25 percent for breast cancer and prostate cancer and 5 percent for anti-smoking, 25 percent for Health Centers, 10 percent tax stabilization, 10 percent for Medicaid and 25 percent for the bio-chemical anti-terrorism.

LEGISLATOR HALEY:

Can I ask a question?

CHAIRMAN CARACCILO:

Yes.

LEGISLATOR HALEY:

Is that -- you typically set aside the tobacco revenue that we get in Suffolk County. As a percentage, we spend more money than most counties. We've done a pretty good job. What are you saying here? Of that money that we've decided to set aside from a policy perspective with tobacco cessation a problem, you're actually looking at all the revenue, tobacco revenue in this legislation? Or are you just looking for that portion that we typically set aside?

MR. SABATINO:

This is all the revenue, the way it was worded.

LEGISLATOR HALEY:

This is all of our tobacco revenues?

CHAIRMAN CARACCILO:

Well, if you look at the numbers annually. Jim for 2002, what's proposed the tobacco settlement?

MR. SABATINO:

I think it's 21 or 22 million.

LEGISLATOR HALEY:

This would spend all of that?

CHAIRMAN CARACCILO:

It would earmark it for the five or six programmatic expenditures or reserves.

MR. SABATINO:

Well, it would start -- because the money is locked up revenue, this will mean the money will be coming in starting in 2003.

LEGISLATOR HALEY:

Right. Motion to table.

CHAIRMAN CARACCILO:

A motion to table, a second? All in favor? Opposed?

I.R. NO. 2073 Revising policy for Tobacco Settlement Revenue. ASSIGNED TO FINANCE & FINANCIAL SERVICES (Legislator Michael Caracciolo)

VOTE: 2-1-0-2 TABLED

LEGISLATOR POSTAL:

Mr. Chairman?

CHAIRMAN CARACCILO:

I'm opposed to that Irene. And I intended to table it as well, to make an amendment. But clearly, when I think if you look at the financial condition of the County going forward, perhaps the one component that needs to be amended is the tax stabilization component. With the absence of setting aside more money for reserves, we are going to continue to see what 2002 bought, in terms of the County Budget.

LEGISLATOR HALEY:

I understand that but what I'm concerned with is there is a sense that an Omnibus Committee -- that somewhere down the line, they may want to look at tobacco {securitization}. I think this would -- Counsel, correct me if I'm wrong? This would preclude any tobacco {securitization} wouldn't it?

MR. SABATINO:

It would be mutually exclusive ideas. If you pass this, then you have to repeal this to go in the other direction to go to {securitization}. So you're absolutely right, they are mutually exclusive.

LEGISLATOR HALEY:

Thanks.

LEGISLATOR POSTAL:

Mr. Chairman?

CHAIRMAN CARACCILO:

Yes?

LEGISLATOR POSTAL:

I think that's really an important point but, in terms of discussing this resolution, if it's going to be discussed further and there's going to be consideration of it, I would like to have at this committee, representatives from the Health Department and possibly the Police Department and FRES to give us their comments. Because for example, I don't want to take a shot at any of these things but they may tell us that 25 percent for breast cancer and prostate cancer programs may not be as effective because there's already funding here and there and maybe we could use those moneys for other purposes. And while we're all very conscious of the danger of bio-chemical terrorist attacks, maybe 25 percent is higher than is necessary and we'd hear that from the Police and FRES. So I would like to hear from them, since this is assigned to this committee. They would normally not appear at this committee but I think that would be helpful.

CHAIRMAN CARACCILO:

Counsel, in terms of the adopted budget, how much money was set-aside for bio-terrorism equipment and expenses?

MR. SABATINO:

My recollection was two point two million.

CHAIRMAN CARACCILO:

And I know speaking with Dave Fischler and others in the fire safety and public safety areas, they had requested funding in excess of that. And then there was a question of policy decision made by the Legislature to cap it at the lower level and disregard their request for additional funding. So I think, depending on ones perspective, there has been clearly identified a need for the County to provide more in the way of not only public safety but in the health department, additional funding for possible future bio-terrorism threats than has been done. So I think it's a good first step but that's all it is, in my opinion, a first step. But I appreciate your comments reaching out to department heads and asking them for their assessment of what their needs are, so that the legislation more accurately reflects that.

LEGISLATOR HALEY:

Mr. Chairman, would you introduce this gentleman from the high school class from -- they

actually have three legislators that represent them from Longwood Schools. Remember I said to you earlier; remember I said to them earlier 18 of us have to pick a boss. He's the boss.

PRESIDING OFFICER TONNA:

I am the Presiding Officer. Next meeting you -- I am the only bald headed guy.

LEGISLATOR HALEY:

That's right, he's the only bald guy, he said. Thank you, Presiding Officer Tonna, thank you.

CHAIRMAN CARACCIOLO:

Referring to this position, a little civics lesson, an ex officio member of this committee and every Legislative Committee that he chooses to sit in on and when he does, he has a vote just like everyone else. He does comedy on the side, as you can tell. Okay, so we have 2073 tabled. We now have 2081, a motion to approve, second by Legislator Postal. You have a question Maxine? Do we put on the consent calendar?

LEGISLATOR POSTAL:

Place on the consent calendar.

CHAIRMAN CARACCIOLO:

Motion to approve and place on the consent calendar 2081, second by Legislator Postal. All in favor? Opposed? Abstentions? Unanimous.

I.R. NO. 2081 To readjust, compromise and grant refunds and chargebacks on correction of Errors/County Treasurer By: County Legislature #139. ASSIGNED TO FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 APPROVED PLACED ON CONSENT CALENDAR

MR. SABATINO:

That's correct on page 4.

CHAIRMAN CARACCIOLO:

Same motion, same second. All in favor on 2105? Opposed? Please place it on the consent calendar, approved.

I.R. NO. 2105 To readjust, compromise and grant refunds and chargebacks on correction of Errors/County Treasurer By: County Legislature #140. ASSIGNED TO FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 APPROVED PLACED ON CONSENT CALENDAR

CHAIRMAN CARACCIOLO:

2147 motion?

MR. SABATINO:

There was a corrected copy filed Mr. Chairman, in response, I think, to some questions. So it's eligible for a vote.

CHAIRMAN CARACCIOLO:

Motion by Legislator Postal, second by Legislator Haley. All in favor? Opposed? Abstention? Approved.

I.R. NO. 2147 Authorizing the County Comptroller and the County Treasurer to transfer funds to cover unanticipated expenses in the 2001 Adopted Discretionary Budget. ASSIGNED TO FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 APPROVED PLACED ON CONSENT CALENDAR

CHAIRMAN CARACCIOLO:

2148 same motion, same second, same vote, approved.

I.R. NO. 2148 Authorizing the County Comptroller and the County Treasurer to transfer funds to cover unanticipated expenses in the 2001 Adopted Mandated Budget. ASSIGNED TO FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 APPROVED PLACED ON CONSENT CALENDAR

CHAIRMAN CARACCIOLO:

I.R. Non-Prime 2103, 2117, 2118, 2119, 2128, 29, 2130, 2131, 2132, 2133, 34, 35,36, 37, 39, 40 plus 2144, 2145 and 2149. A motion to approve and defer to prime committee, second by Legislator Postal. All in favor? Opposed? Abstentions? Unanimous.

INTRODUCTORY - NON-PRIME:

I.R. NO. 2103 Amending the 2001 Capital Program and Budget and appropriating funds for the construction of new Sixth Precinct, Town of Brookhaven. (CP 3184.315) ASSIGNED TO PUBLIC SAFETY & PUBLIC INFORMATION AND FINANCE & FINANCIAL SERVICES (Legislator Joseph Caracappa)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2117 Accepting and appropriating a grant providing 75% support, in the amount of \$745,849 from the United States Department of Justice, Office of Community oriented policing services and amending the 2001 Capital Budget and Program and appropriating funds in connection with the purchase and implementation of an integrated arrest processing system and microwave network upgrade (CP 3219) ASSIGNED TO PUBLIC SAFETY & PUBLIC INFORMATION AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2118 Amending the 2001 Capital Budget Program and appropriating funds in connection with the renovations to the Former Home & Infirmary (CP 1771) ASSIGNED TO PUBLIC WORKS & TRANSPORTATION AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2119 Amending the 2001 Capital Budget and Program and appropriating funds in connection with the construction of a class A Fire Training Building, Yaphank (C.P. #3405) ASSIGNED TO PUBLIC SAFETY & PUBLIC INFORMATION AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2128 Appropriating funds in connection with median improvements on various County Roads (C.P. 5001) ASSIGNED TO PUBLIC WORKS & TRANSPORTATION AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2129 Appropriating funds in connection with the reconstruction of CR 43,

Northville Turnpike from Elton Lane to Sound Avenue, Town of Riverhead (C.P. 5035) ASSIGNED TO WAYS & MEANS AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2130 Amending the 2001 Capital Budget and Program and appropriating funds in connection with the County share for the renovation of Shinnecock Commercial Dock, Town of Southampton (CP 5344) ASSIGNED TO PUBLIC WORKS & TRANSPORTATION AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2131 Appropriating funds and approving federal aid for participation in engineering for the reconstruction of a portion of CR 3, Pinelawn Road, Town of Huntington (C.P. 5510) ASSIGNED TO PUBLIC WORKS & TRANSPORTATION AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2132 Amending the 2001 Capital Budget and Program and appropriating funds for the acquisition of land for intersection improvements on CR 35, Phase I from the vicinity of Old Country Road to the vicinity of CR 86, Broadway-Greenlawn Road, Town of Huntington, Phase I (CP 5519.211) ASSIGNED TO WAYS & MEANS AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2133 Appropriating funds in connection with improvements on CR 35 from the vicinity of CR 66, Deer Park Avenue to the vicinity of Old Country Road, Town of Huntington, Phase II (CP 5519.212) ASSIGNED TO WAYS & MEANS AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2134 Amending the 2001 Capital Budget and Program and appropriating funds in connection with improvements to CR 7, Wicks Road, Town of Islip (C.P. 5539) ASSIGNED TO PUBLIC WORKS & TRANSPORTATION AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2135 Appropriating funds in connection with drainage and road improvements on CR 58, Old Country Road, Town of Riverhead (CP 5543) ASSIGNED TO WAYS & MEANS AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2136 Appropriating funds in connection with improvements to CR 80, Montauk Highway, Town of Southampton (CP 5550) ASSIGNED TO WAYS & MEANS AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2137 Accepting and appropriating a grant in the amount of \$700,000 from the New York State Department of Transportation for the LIE/HOV Dedicated Enforcement Program Phase III in Suffolk County with 100% support. ASSIGNED TO PUBLIC SAFETY & PUBLIC INFORMATION AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2139 Amending the Department of Health Services, Division of Public Health 2001 Adopted Budget to reallocate funds for a contract agency. ASSIGNED TO HEALTH AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2140 Amending the Department of Health Services, Division of Patient Care Services 2001 Adopted Budget to reallocate funds for a contract agency. ASSIGNED TO HEALTH AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2144 Accepting and appropriating 70% Federal pass-thru grant funds from the NYS Division of Probation and correctional alternatives for the temporary assistance for needy families' (TANF) project for community corrections programs and creating one position within the Department of Probation. ASSIGNED TO PUBLIC SAFETY & PUBLIC INFORMATION AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2145 Appropriating funds in connection with special patrol bureau construction (CP 3139) ASSIGNED TO PUBLIC SAFETY & PUBLIC INFORMATION AND FINANCE & FINANCIAL SERVICES (County Executive)

VOTE: 3-0-0-2 DEFER TO PRIME

I.R. NO. 2149 Amending the 2001 Capital Program and Budget and appropriating planning funds for improvements to South Country Road, CR 36, Town of Brookhaven (CP 3184.315) ASSIGNED TO PUBLIC WORKS & TRANSPORTATION AND FINANCE & FINANCIAL SERVICES (Legislator Brian Foley)

VOTE: 3-0-0-2 DEFER TO PRIME

CHAIRMAN CARACCILO:

That concludes the agenda. Do we have representatives here from the Budget Director's Office? Oh, I'm sorry. You blended right in. You want a job in BRO? Okay, great. At my request, you were kind enough to agree to research some information; some questions I raised at the last Legislative Meeting. So could you just briefly fill us in?

MR. KNAPPE:

I have to apologize. I have been researching it. I don't have everything completed as of yet. You asked for some information from positions, I believe, from January that were being filled throughout this past year. And I did explain that I will try very hard to get as much information as I could for you. But because there's only about seven days between, I do understand that you extended the meeting from the 5th to today. I'm still compiling that information. Once I have it and it's been reviewed, I'll get that to you as soon as possible.

CHAIRMAN CARACCILO:

When should we expect that?

MR. KNAPPE:

I don't feel comfortable giving an exact date but it will be as soon as I possibly can.

CHAIRMAN CARACCILO:

In terms of year to date sales tax revenues and projected shortfalls? As you look at that right now today December 12th, what does it look like?

MR. KNAPPE:

I will defer to Budget Review because I know they have been in consultation with Ken Weiss and a couple other people from the Budget Office. I was away at a couple of meetings the past couple of days. I do know that one of the sales tax checks that we'll be receiving within the next week or so, will paint a much broader picture on where we stand as far as sales tax.

CHAIRMAN CARACCILO:

I believe that's tomorrow, right?

MR. KNAPPE:

Right.

CHAIRMAN CARACCILO:

Jim?

MR. SPERO:

I don't know if Robert is actually -- we've come up with a revised estimate for this year.

CHAIRMAN CARACCILO:

He has.

MR. SPERO:

I just said make a general comment and that is based on the collections we're actually receiving; we're going to be below what the Legislature's revised estimate was for this year. Now, we have two more checks coming in December yet and we'll see how that pans out. And that will be January and half the February --

CHAIRMAN CARACCILO:

Can you quantify? Give us a dollar amount?

MR. SPERO:

I don't have it in front of me.

CHAIRMAN CARACCILO:

Robert shared with me as recently as yesterday afternoon. It's somewhere --

MR. SPERO:

He didn't share it with me.

CHAIRMAN CARACCILO:

A seven to ten million dollar range.

MR. SPERO:

Below what we estimated?

CHAIRMAN CARACCILO:

Correct.

MR. SPERO:

Now, there's a little bit of good news in yesterday's check, so for the month of December --

CHAIRMAN CARACCILO:

Oh, we received the check?

MR. SPERO:

We got two checks; two of the four checks for December have come in. And we're five and a half percent above last year in these two checks, however, in November, we were ten percent below last year. So I mean, the jury is still out on how we're going to do for the remainder of this year. But clearly, 9/11 has certainly hurt the County substantially in the sales tax area and the economy in general.

CHAIRMAN CARACCILO:

Well, it's interesting, while shopping at the Mall this weekend at Macys in particular; the sales clerk told me that they had a one million-dollar retail sale day on Sunday. More than double what they had the same day last year. So it doesn't appear as though consumer spending has really been an issue but we'll have to wait until the real numbers --

MR. SPERO:

If it's clothes, we're not collecting any sales tax.

CHAIRMAN CARACCILO:

Well, we understand that. But we also increased the sales -- in fairness to the consumer though. We did increase the sales tax by a quarter percent. No, in fairness to the quarter percent, for the money they are saving on clothing and footwear tax, sales tax, they are paying another quarter percent more for the sales tax. I want to talk briefly to both of you about the Moody's Investment Report and elicit your comments regarding the same. Budget Office first?

MR. KNAPPE:

I have to apologize. I wasn't prepared to speak on this specific item today. I do know that Moody's called the Budget Director, I think, in preparation of Audit and Control, a bond sale that would go out. I have no further information then what you have probably have seen in Newsday and the like.

CHAIRMAN CARACCILO:

Is Ken off today?

MR. KNAPPE:

I believe he is in meetings this morning.

CHAIRMAN CARACCILO:

Well, I'd like Budget Review to comment on this first.

MR. SPERO:

I drafted a memo, which I sent all Legislators.

CHAIRMAN CARACCILO:

Right. Could you just summarize the memo, so that the record reflects accurately?

MR. SPERO:

Surprised and dismayed were the words I used in the memo at the rating review we got from Moody's Investor Services. And we had no input into any discussions with Moody's visavis the County's budget and financial situation. So we were a little upset with that situation. But it's interesting to note, if you read the Moody's Report carefully, they're particularly concerned with our sales tax collections and based a lot of what they did on our projected increase in sales tax revenues for the coming year. Now, if you read into that, you could -- my read into that is that the Moody's people and their economists do not have a very optimistic outlook for the economy for the next year. Because if they did, they wouldn't be concerned about what our sales tax collections were and what percentages we're using for

the increase in sales tax for 2002. So underlining everything they did is what I'm reading into is what they said is that they see a weak economy continuing for the next, I would say, at least two quarters, maybe longer.

CHAIRMAN CARACCILOLO:

What do you disagree with in their report that says the following and I quote, the County passed a 13 percent property tax increase to balance FY2002 Operations, however, the two point two billion dollar budget for next year still reflects a near 5 percent anticipated growth in sales taxes, as well as additional revenues from the increased sales tax rate imposed earlier this year. Together this represents a considerable 9 percent growth expected next year in this sensitive revenue source to balance operations.

MR. SPERO:

Well, there's three things. The 9 percent growth assumes the new quarter cent for a full year and it also includes the energy tax, which will be in place for 10 months of the year. So you have a 9 percent gross but we have two new taxes that will be kicked in for the full year and/or partial part of that year. So that's the 9 percent. We crunched, Robert crunched some numbers, which he just completed yesterday and on an adjusted basis, we see our growth rate at 4.46 percent for the year, so below the 5 percent they're citing. And if we adjust for the September 11th, terrorist attacks, which is a one-time event, which hampered our sales tax collections, the growth rate is about 2.86 percent. You assume the 9/11 is not going to reoccur, which it shouldn't.

CHAIRMAN CARACCILOLO:

In net dollars and cents, what was budgeted for 2001, for sales tax collections?

MR. SPERO:

I'd have to go check those figures because I don't have them in front of me.

CHAIRMAN CARACCILOLO:

Are they a hundred and fifteen million as I recall?

MR. SPERO:

It's in that neighborhood but I don't know the exact amount.

CHAIRMAN CARACCILOLO:

Okay. Do we have -- why don't you get me that information? Legislator Haley?

LEGISLATOR HALEY:

I don't want to appear as though I'm defending the executive side of things but I think and perhaps Jim, I had this conversation with you already concerning your letter. I think that in the past and I've been a participant on it when I was Chairman of the Finance when we got -- matter of fact that's when we got our last rating increase. The a -- typically Moody's, Fitch, S&P, would spend a little bit more time with us before they would take any position one way or another. It's not only the opinion perhaps of our Budget Director but perhaps many people who are involved and maybe even look at the legislative side.

So in this particular instance, because I happened to have a conversation with the Budget Director who -- and prior to seeing Jim's letter, which concerned me because Moody's simply made a phone call to him. Now this is typical. Any rating agency, on any given day would call typical responsible party for the day to day operations, which in this case, see they are not -- the County Exec may not get on the phone but his Budget Director would. And he had a conversation over the telephone and he's making all these judgments all right, which based on one telephone conversation, which is not consistent with what we've done in the past and we spent a lot of time with all of these rating agencies. Now my understanding is that is a new guy at Moody's?

MR. SPERO:

So I've been told. Ed Krauss is a new analyst.

LEGISLATOR HALEY:

You have a new analyst and all of a sudden a new analyst, okay! And I really think that this Legislature should take a position, all right and send a message to Moody's, the rating agency, I think that almost acted irresponsibly in this particular instance, because of one telephone conversation. I don't care how good you are. It's very difficult to characterize, all right, the entire state of affairs in the County of Suffolk with a two billion-dollar budget with a forty five-minute or less than an hour conversation, all right! The guys a new guy. He called. He had some questions. Probably wanted to try to get up to speed and all of a sudden, he's putting us on a watch-list. I think it's irresponsible. And the reason I bring it all up is because I'm concerned because how Jim -- I think, Jim reacted to it. And I've shared this with Jim and I don't think that his first -- his initial reaction probably is appropriate. But I think now, I would hope that now that he gets an idea of what happened, in light of the fact there's a new guy, new analyst. In light of the fact there was just a telephone conversation that some consideration be made to the duties of the Executive Branch and the Budget Director in that he has to answer a phone call from a rating agency. You know the unfortunate part of it is that the analyst just went too far with it.

CHAIRMAN CARACCIOLO:

A good point and when we spoke about this Jim, I think, you indicated to me there was an attempt by the Budget Review Office to meet with the analyst to take this up further and they declined.

MR. SPERO:

We're dealing with the rating agencies through our fiscal advisor. So at this point in time, I'm told that they are declining to meet with County Officials. They want and wait and see what happens to the -- with the County's finances after the year is completed and the sales tax revenues have actually been received.

CHAIRMAN CARACCIOLO:

I would agree with Legislator Haley. I don't think there's any need to wait for anything. We adopted a budget, even though I disagreed with the budget. The fact remains, as you point out in your memo, you feel that there are a number of very important and responsible actions taken. And while we may disagree on particulars if that is, in fact the case, they have an obligation before they issue a press release putting the County on their watch list, to give us an opportunity to sit down and explain and elaborate those actions we have taken; such as those we're talking about now with respect to sales tax receipts. Because you have to make qualifications on some of these items, to give them context and not take them out of context. Then I think what your memo speaks to is that they obviously are taking several actions out of context and not fully understanding the full impact of what actions were taken.

MR. SPERO:

Since I wrote that memo, I don't know how many discussions were held between the Budget Director and Moody's. However, I learned yesterday, we learned yesterday that there was several discussions with S&P and the Budget Director and we were not privy to those discussions. However, I guess since my memo went out and has been distributed, we were brought into a discussion with S&P yesterday afternoon. And Fred is again, speaking with them this morning. And Robert was in with Fred this morning to discuss our situation with S&P. S&P also is focusing in on our sales tax projections for next year and they seem somewhat concerned as well with what we're projecting. I don't know the upshot of what happened this morning. Maybe Robert can fill us in.

LEGISLATOR HALEY:

I'd like to know that. Maybe before we go to Robert or maybe we have to go to Robert for the numbers that I requested earlier, what was budgeted for 2001 and what was adopted for 2002 and year over year what's the net projected increase in sales tax revenues on a percentage basis?

MR. LIPP:

Well, actually this morning, as it turns out with the rating agencies we're most interested in was not what's in the budget at all but rather what the cash flow is.

CHAIRMAN CARACCILO:

Yes what the experience is, okay. But just answer my question first?

MR. LIPP:

Sure. We budgeted unadjusted from 2001 to 2002, growth rate of 9.2 percent. I say unadjusted, because it doesn't take into consideration that we increased the tax rate on June 1st of 2001. And which would be over twenty one million or so more in what we would have gotten in 2001, if the tax rate started January 1st, 2001, instead of June 1st. We also budgeted for 2002, an estimated fourteen million dollars in home energy tax increase, which we didn't have. So if you add those things -- if you net out those factors, your growth rate goes from 9.2 percent, which obviously sounds very high to 4.66 percent. On top of that, the way we looked at it when we did our forecast is we took into consideration that for this year 2001, the base is lower than it should be. And the reason why we say that is because of the terrorist attacks on September 11th. The receipts dropped out -- the bottom dropped out from receipts because of that event, which isn't meant to say that receipts wouldn't have been down anyhow because the economy was slowing. But rather that they were down by an amount that would not reoccur unless another unexpected event occurs like that in the future, which we assume it will not.

So the point to be made is the following. If you make a further adjustment by increasing the 2001, base to realize that that was an arbitrarily low -- that was a number that isn't going to happen again, then the 4.66 percent adjusted rate goes down to a 2 point, an estimated 2.86 percent growth rate. To summarize then what we're looking at is we think real growth in the budgeted numbers amounts to 2.86 percent even though the nominal numbers are 9.2 percent growth.

CHAIRMAN CARACCILO:

What was budgeted for 2001, sales tax collections in dollars and cents?

MR. LIPP:

I don't have those in front of me. I believe it was like -- I don't know like seven, sixty-eight or something million for 2001.

CHAIRMAN CARACCILO:

Do you have that in the office? Could you get us those numbers?

MR. LIPP:

Yes.

CHAIRMAN CARACCILO:

Because clearly, what you stated so far, with the increase in sales tax granted this year, it was only for a half a year or seven months, right, counting June. On an annualized basis, how much more is expected to come in next year, as a result of the quarter percent increase? When it was approved? I know things --

MR. LIPP:

The answer which is what I said before, was we would have gotten an estimated for 2001, an estimated for twenty one million dollars more.

CHAIRMAN CARACCILO:

For a four month period?

MR. LIPP:

If it said -- if the tax, well, for the five months that we didn't have it this year, we would have had an approximate estimate of twenty one million more than we do have because it started June 1st, not January 1st.

CHAIRMAN CARACCILO:

So the addition of a quarter percent generates how much more revenue?

MR. LIPP:

In the neighborhood of fifty million dollars for a full year.

CHAIRMAN CARACCILO:

Five O, okay. The institution of an increase in energy tax from 1 to 2 and a half percent is expected to generate on an annualized basis fourteen million?

MR. LIPP:

Not on an annualized basis, because that tax starts March 1st.

CHAIRMAN CARACCILO:

So you're saying for nine months next year, will generate fourteen million?

MR. LIPP:

Ten months.

CHAIRMAN CARACCILO:

Okay. So in effect, the County will be experiencing somewhere in the addition, in the area of an additional sixty four million dollars in revenues. All things being equal, next year, than it did in 2001.

MR. LIPP:

Yes.

CHAIRMAN CARACCILO:

Okay. What accounts for a sixty-four million-dollar increase in County expenditures? Because obviously, if you're increasing revenues, it's to meet expenses.

MR. LIPP:

In social services and payroll.

CHAIRMAN CARACCILO:

Well, social services, as I understand it and I'd like to hear from the Budget Office is going up and we understand that. It's going up by, I believe, twenty two million dollars. But in the aggregate, how much is social services going up next year?

MR. KNAPPE:

The one specific program in social services that I'm not completely familiar with which is not - it does not receive any State reimbursements. It's institutionalized foster care, which is a large chunk of what the steep increase has been for the department. And as I said that is not subject to any State Aid claimed back to the County. It's not strictly County cost.

CHAIRMAN CARACCILO:

Right. Let me ask you the same question I asked Robert. And that was, we expect to have sixty four million dollars in additional revenues next year. Not to mention what the property tax generates. How much additional revenue did the property tax generate?

MR. SPERO:

About forty eight million.

CHAIRMAN CARACCILO:

So we add forty eight million to the sixty five million. We're now up to what, a hundred and nine million dollars in the new revenues, if you will for next year? So that begs the question -

LEGISLATOR HALEY:

Additional.

CHAIRMAN CARACCILO:

Additional.

LEGISLATOR HALEY:

I heard him say additional.

CHAIRMAN CARACCILOLO:

Right. A hundred and nine million dollars in additional revenues coming into the County. What accounts for a hundred and nine million dollars in increased County cost? That's really my question.

MR. SPERO:

DSS is fifty million dollars.

CHAIRMAN CARACCILOLO:

Okay.

MR. SPERO:

And the increase in payroll, I don't have the figures in front of me but in the non-mandated area of the payroll and fringe benefits comprises the majority of the cost in that area.

CHAIRMAN CARACCILOLO:

Okay. So the budget --

MR. SPERO:

There are increases in the long-term debt as well.

CHAIRMAN CARACCILOLO:

The budget as adopted is balanced. I mean, the report says that. So specifically, what would you take issue with, with the Moody's assessment that you feel they need to correct and modify?

MR. SPERO:

I think it's a perceptual problem on how they view the County. They seem to again, focusing in on sales tax increase. They didn't seem to know the fact that we had projected a twenty-four million-dollar balance in our reserve account. And they also seem to be focusing in on the fact that even that number, I guess, according to my discussions with Rich DeFiora, the fiscal adviser. That's not nearly high enough in their opinion. They would like --

CHAIRMAN CARACCILOLO:

Well, they would like to see us maintain, Jim? They would like to see us maintain higher reserve.

MR. SPERO:

Much higher.

CHAIRMAN CARACCILOLO:

Much higher.

MR. SPERO:

And the fact that our fund balance was also dropping. For the Year 2000, we had about a seventy million-dollar general --

LEGISLATOR HALEY:

I think that's the problem.

MR. SPERO:

And now, it's going back to about ten but it's still a plus ten and they seem to -- again, they seem to also be concerned with the fact that, at least, three quarters of our fund balance has to be returned to the taxpayers. The law only requires us to reserve 25 percent of the fund

balance. So again, it's a combination. The fact is they're not being that familiar with Suffolk County and how we operate and they came out with the opinion that we should be on credit watch and here's Fred to answer any --

CHAIRMAN CARACCILO:

Now, with respect to the law that you referenced, requires only 25 percent? What law is that? Is that State Law? Finance Law? Or is that County Law? We can change County Law. But I think that's really what maybe they're suggesting that we change County Law to reflect higher reserves.

MR. SPERO:

That's County Law and the County Executive did submit a revision to that Local Law earlier this year to raise that mandatory percentage to be reserved.

CHAIRMAN CARACCILO:

Okay.

MR. SPERO:

But when you do that, you can't give the money back as a tax reduction.

CHAIRMAN CARACCILO:

But if you want more money in reserve, then you have to do a number of things. You either have to cut expenses, so at the end of the year you have more money for reserve. You have to raise revenues, so that you have more money for reserves. You cannot increase expenditures by over a hundred million dollars a year and not have some negative impact on your reserve accounts. The economy is not going to permit you to do that.

MR. SPERO:

The reserve account will be drawn down about nine or ten million dollars net. Because we pulled out about thirty-one or two million and we're putting back like nineteen or twenty million, in that range.

CHAIRMAN CARACCILO:

Okay, in terms of the proposal to increase the reserves? What is the status of that?

MR. SPERO:

We're drawing down our reserves.

CHAIRMAN CARACCILO:

No but I'm saying you mentioned that there was a proposal to increase the County's reserve.

MR. SPERO:

That was tabled and quite frankly, if it had passed, the County Executive would have had to reserve more of the fund balance and would have to raise taxes higher than he had proposed. So I mean, it's a double-edged sword and it's a policy --

CHAIRMAN CARACCILO:

That was my point.

MR. SPERO:

The Legislators, how much do you want to give back? How much do you want to reserve in taxes?

CHAIRMAN CARACCILO:

That was my point. In other words, you can't say in one breath, you want to increase reserves. I mean, you can say it but then to actually carry it out requires increasing property taxes or other taxes even higher. Fred?

MR. POLLERT:

Just with respect to that law, it clearly -- it probably needs to be fine tuned a little bit

because what could happen is you could put a large amount of money into the reserve account and then with a companion action pull it back out again. So you're basically, just flowing it through the reserve account just like Legislator Haley has -- that excess sales tax revenue goes to the tax stabilization reserve fund but it can come out just as easily. Just along the line --

CHAIRMAN CARACCILO:

Oh, you need a safeguard is what you're saying?

MR. POLLERT:

You do.

CHAIRMAN CARACCILO:

If you want to increase reserves, then you have to have a safeguard.

MR. POLLERT:

To make sure that it's just not a revolving door with the money going in and saying gee, we're dropping 50 or 60 or 70 percent into the tax stabilization reserve account and then taking out that amount of money at the same time. Just as a matter of interest, I was on a conference call this morning with Standard & Poors, which included the County Executive's Budget Office and the Department of Audit and Control. And I just got a message from Rich Tatora of Evenson Dodge. I haven't called him back yet. But the message was, if he called with good news, Standard & Poors has just raised Suffolk to SP1Plus.

CHAIRMAN CARACCILO:

Very good.

LEGISLATOR HALEY:

May I?

CHAIRMAN CARACCILO:

I hope a press release is going out to --

MR. SABATINO:

Proving once again, you're indispensable Fred.

CHAIRMAN CARACCILO:

But they didn't consult with us, Marty.

LEGISLATOR HALEY:

This is the point. Typically, over the past years, whenever there was an indication that they wanted to take a look and they do it what, twice a year? There would be a meeting set up, usually up in the County Exec's conference room and appropriate people would be invited. I think it's fair and he's not here to defend himself. But I think it's fair to say that the Budget Director had no indication from Moody's that this was the purpose of that phone call to make an assessment as to what's you know, in other words, a bonafide assessment on what's going on with County finances. I think, knowing the gentlemen, because that's the one time we definitely can all get on the same page, is when we're going to sit down with the rating agencies. And that the spirit of cooperation that has gone on for the last few years, I don't think has been damaged, perceptually maybe, for a short term. But I don't think it should be damaged, simply because the man had a conversation with a new analyst, who I think acted inappropriately. And you know what that says to me? It becomes very suspect now when Standard & Poors is starting to look favorably.

So I would suggest, all right that perhaps this Chairman or this Legislature might want to develop a form of his resolution or whatever, a message to Moody's. That if they want -- you know what? We're not going to wait for them to come and talk to you guys at Budget Review; you know next year to see how things go, no. What they should do is come back and readdress it, typically in the same manner that we have in the past with these rating

agencies. So that we can provide them sufficient information for them to make an appropriate or take an appropriate position.

MR. KNAPPE:

Legislator Caracciolo?

CHAIRMAN CARACCILOLO:

Legislator Haley, we will request a meeting with Moody's to clear up any misunderstandings they may have with respect to the County's financial condition.

MR. KNAPPE:

Just to go along with what Legislator Haley did say that is 100 percent accurate with the Budget Director. The one casual conversation I had with him just prior to -- well just after Moody's announcement or their letter that came out, their press release and before the Newsday article. I do believe that the original conversation, the phone call from Moody's to the Budget Director was given more to a fact finding or informational process of what occurred during the whole budget process and the information and the like of that. Not necessarily exactly what Legislator Haley, did coming up with findings and determinations at that point.

CHAIRMAN CARACCILOLO:

We will request that meeting and certainly invite the Executive. And we would hope in the future, another point that was made by Legislator Haley is that when the rating agencies contact the Budget Office, your Budget Office that you give the Legislative Budget Review Office a courtesy call, so that we could perhaps fill in, amplify, explain further, you know actions that are being taken on a --

LEGISLATOR HALEY:

Mr. Chairman, it's a point well taken. But I think what happened in this particular instance that I am sure over the years, all right that the Budget Director has had casual conversations with rating agencies.

CHAIRMAN CARACCILOLO:

It sounds like a new analyst.

LEGISLATOR HALEY:

So it's not like every time somebody calls, they ask us a little question that immediately have to contact budget -- I think, it was irresponsible on Moody's. I think that a precursor to every question should be, if the Budget Director has a conversation because he got burnt on this one, is this a conversation that could affect our rating? If it is, then we need to sit down and provide other input from other people in other areas of government. But you've got to be cautious, in that if you're expecting every time he gets a phone call to have to include somebody, then it becomes difficult.

CHAIRMAN CARACCILOLO:

Just to close out this meeting. The next or the really dividing point, in terms of sales tax receipts for 2001, is the January 12th, check or somewhere around there?

MR. LIPP:

Yes, because January 12th represents the end of the quarter from the State's perspective and it would be actual distribution. So they're giving us a fraction of overall State receipts. But there's a lot of things going on, in terms, of we'll get the actual distribution then, not only for this quarter but for the previous quarter. Because they couldn't get their act together because of the terrorist attacks to figure out what the actual distribution was for the last quarter. And there are lots of other factors that I don't care to go into that make the numbers very noisy until that date. But also to note that that won't be the final check because there's an accrual of February receipts also. But we will have much, much better information on January 12th.

CHAIRMAN CARACCILOLO:

If, in fact, the trend continues with the sag in the economy, as a lot of economists are predicting, what actions should the County take early next year, once this information is known? Fred?

MR. POLLERT:

Clearly, what needs to happen is Ken and myself have to work extremely close monitoring the budget. There continues to be some slack in the budget. The largest area of discretion in the budget is, as this committee knows is in the area of personnel services. It's anticipated that there will be an early retirement incentive program that has not been budgeted in the budget. That could generate significant amount of savings. If sales tax continues to drop off and State Aid continues to drop off, as the State starts to have budgetary problems, they tend to push it down to localities. Clearly, the first line should be to constrain the budget as much as possible, either through a tighter position control policy through restriction of supply material, travel accounts. And at the same time, if there's going to be a major shortfall, we really need to find out if there are any programs that perhaps could be cut and if not that, what other options have we got to increase revenues to make up the shortfall.

CHAIRMAN CARACCILOLO:

Looking at 2001, as it comes to a close, there was a desire to increase turnover savings. Is that going to be realized?

MR. POLLERT:

The turnover savings were greater than what the Legislature approved last year. So when the Legislature approved the budget last year it was --

CHAIRMAN CARACCILOLO:

Did they meet the County Executive's numbers?

MR. POLLERT:

They appear to have met the County Executive's numbers with one caveat. It's my understanding that there could be an agreement with one of the major unions, which is outstanding. I don't know the details and I don't know how that's going to impact what the total savings are.

CHAIRMAN CARACCILOLO:

What more can you tell us about that, either one of you? Because if you set a goal and then somehow along the way the goal is modified and if it's for justifiable reasons that's understandable. But given clearly, the economic outlook, one has to call into question what's going on.

MR. KNAPPE:

Specifically, I do not know any information, as far as any contract settlements in 2001. If there was to be one in 2001, I think, the question would be to the Comptroller's Office and to us up here. There's retroactive payments involved in that such -- would it be hit against the 2001 Year or to be accrued back. Or to be absorbed in the 2002 Budget based on the timeframe of where we are right now with the Fiscal Year.

CHAIRMAN CARACCILOLO:

Fred, do you want to add anything to that?

MR. POLLERT:

Ken is correct. The timing of the settlement is going to be important because it will really determine what budget year it's going to hit against. We haven't seen the details of the proposed contract settlement, because it has not been approved by the union members. It's our understanding that there is a tentative agreement with the correction officers and I believe that the correction officers have to do a vote on it.

CHAIRMAN CARACCILOLO:

They have yet to vote on it?

MR. POLLERT:

That's correct.

CHAIRMAN CARACCIOLO:

Okay. So there's a tentative agreement pending ratification by the union rank and file and the County Legislature. Okay. Do you have a dollar amount?

MR. POLLERT:

No, I don't. I don't have the details of the settlement until such time it's going to be approved by the membership.

CHAIRMAN CARACCIOLO:

Do you have any further questions? Okay. That concludes this meeting. Thank you all. I wish to extend to each of you a Happy Holiday, Merry Christmas, Happy Chanukah and the like.

(The meeting was adjourned at 12:30 P.M.)

{ } Denotes spelled phonetically